

# AMPLIFY THE EXPERIENCE





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## Amplify (v.)

To increase, accentuate and intensify

Events DC **increased** its venue portfolio by acquiring Carnegie Library at Mt. Vernon Square to serve as a special events venue, while the Walter E. Washington Convention Center enjoyed a growth in visitors, expanding its digital capabilities to better serve customers;

Events DC **accentuated** the city's diverse sports and entertainment offerings, promoting the nation's capital as a world-class destination;

Events DC **intensified** its commitment and partnership with local organizations, resulting in greater community and economic benefits for the city.

286  
EVENTS

3.1+ million  
VISITORS

\$22+ million  
IN REVENUE

\$530+ million  
IN DIRECT SPENDING

## Letter from the CEO



Events DC's predecessor organization, the Washington Convention Center Authority, was established in 1994 for a single purpose: to harness the power of meetings and tradeshows to create lasting economic and community benefits for the District of Columbia and its citizens. Today, the vision from two decades ago is almost complete as our headquarters hotel, the Washington Marriott Marquis, is rapidly taking shape alongside the beautiful Walter E. Washington Convention Center.

The hotel is our largest investment in the District's hospitality infrastructure since 1998, when the Authority issued \$524 million in bonds to build the Convention Center. I am pleased to report that the Marquis is slated to open on-schedule in May of 2014. Destination DC, our convention and visitors bureau, is aggressively booking citywide conventions for the hotel, and our entire industry looks forward to welcoming millions of attendees to Washington, DC in the years to come.

With the original vision of the Convention Center and hotel nearly complete, we have looked at our business model over the last several years to explore new and innovate ways to continue bolstering our mission. The breadth of services we offer expanded dramatically in 2009 when we merged with the DC Sports and Entertainment Commission, and two years later, we rebranded as Events DC. And now, as the local and national financial recovery continues, it is more important than ever that Events DC amplify its impact on our city and its people.

Rather than simply hosting events, we are now working to proactively create demand for our venues and our services. In 2011, Events DC developed its first owned-and-operated event, the AT&T Nation's Football Classic at RFK Stadium, and we have also built or acquired venues like the Carnegie Library at Mt. Vernon Square and the Maloof Skate Park at RFK to expand our offerings and the benefits we bring to the city. We are targeting our sales efforts on unique events for the DC marketplace while forging partnerships that are strengthening the District's hospitality industry and creating a better visitor experience for the millions of people we touch each year.

As the Fiscal Year 2012 Annual Report will explain, today's Events DC is bigger and more impactful than ever. We continue to carefully manage both our expenses and our core lines of business to ensure the organization remains on solid financial footing. We are grateful for the continued support of our city leadership and our community and industry stakeholders, and look forward to taking full advantage of the economic improvement in the coming years.

**Gregory A. O'Dell**  
President and Chief Executive Officer

## Letter from the Chairman



Events DC enjoyed continued success in Fiscal Year 2012 under the outstanding leadership of our management team and the commitment of our staff and service partners. It is an honor to serve as Chairman of the Events DC Board of Directors during such an important time in the organization's history.

It can be difficult to comprehend the magnitude of our work, especially considering that nearly 300 separate events were held over the course of the year - the equivalent of hosting an event every four out of five days. The professionalism required to plan, host and execute so much activity throughout the District of Columbia is a testament to Events DC's commitment to showcasing all the city has to offer.

Ultimately, all of this activity provides much needed revenue that helps provide funding for essential services that keep the nation's capital a special place to live and work, while also serving as a focal point that draws visitors from across the nation and around the world. We are extremely proud that an estimated 3.1 million people who experienced Events DC-related events in FY12 directly spent more than a half-billion dollars while staying in our hotels, eating in our restaurants, enjoying our attractions and keeping our taxis and public transit systems on the move.

As the theme of this year's annual report suggests, the activity and success in FY12 amplified the work done in previous years, laying the foundation for even greater things to come.

It is a privilege to lead the Board of Directors for an organization that creates such a large economic impact for our city. In addition to thanking the men and women who work for Events DC, I am also grateful to my fellow Board Members for their commitment to the District's travel and tourism industry over the last year.

**Michelle V. Hagans**  
Chairman



## Board of Directors

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Government of the District of Columbia  
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Capital Hotels  
Vice Chairman, Board of Directors  
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Member, Finance Committee

### **Allen Y. Lew\*\*†**

City Administrator  
Government of the District of Columbia

# AMPLIFY THE EXPERIENCE.

am•pli•fy  
/verb/

to increase, accentuate  
and intensify

Anchored in the heart of the nation's capital, Events DC is the face of conventions, meetings, entertainment, sports and cultural events. With an expanded portfolio of venue offerings and services; synergies that drive greater community and economic benefits and a world-class staff, Events DC is turning up the volume on the event experiences in Washington, DC.

EVENTS DC

# 2012 Overview & Key Highlights

The extraordinary accomplishments of fiscal year 2012 positioned Events DC on a national stage within the hospitality, entertainment and sporting industries. These monumental moments demonstrated innovative business initiatives and delivered unforgettable event experiences for residents and visitors alike. The efforts created a well-deserved platform for Washington, DC and showcased Events DC can AMPLIFY the experience.

Here's a sampling of Events DC's achievements over the past year:

### AIDS Conference Attracts More Than 20,000

DC hosted the XIX International AIDS Conference, which was held in the U.S. for the first time since 1990.



### Football Game Is Truly Classic

Howard University defeated Morehouse College in a thrilling second annual AT&T Nation's Football Classic®.

### Events DC Strengthens Its Technology Platform

Events DC has packaged a cutting-edge mix of digital media assets and tools to help planners and their clients connect with meeting attendees as well as each other.



### Carnegie Library at Mt. Vernon Square Offers New Event Option

The historic venue hosted numerous events, including an after-party for the Hospitality Industry Professionals, the SpaceX spacecraft viewing and reception.

### Skateboarders Celebrate

Opened in May 2012, the Maloof Skate Park at RFK Stadium is a 15,000 square-foot playground for skateboard lovers of all ages and skills.



EVENTS DC

# Events DC Extends Its Reach

Keeping its finger on the pulse of conventions, entertainment, sporting and cultural events, Events DC's unified efforts continue to showcase the District of Columbia as a premier destination for visitors around the world.

## Conventions & Meetings

Environmentally innovative with dazzling state-of-the-art technology, the Walter E. Washington Convention Center attracts millions of visitors each year.

208  
EVENTS

1M+  
ATTENDEES

\$350M  
DIRECT SPENDING

### Key Events

- The National Association for Specialty Food Trade (NASFT) 2012 Summer Fancy Food Show
- XIX International AIDS Conference
- National Education Association Annual Convention
- AIPAC Annual Conference
- 25th Anniversary Leukemia & Lymphoma Society Annual Ball
- Capitol Hill Volleyball Classic

## Sports & Entertainment

From scenic Nationals Park to the beloved RFK Stadium and historic DC Armory, Events DC hosts fun-filled events that make every event memorable.

66  
EVENTS

634K  
ATTENDEES

\$14M  
DIRECT SPENDING

### Key Events

- Military Bowl presented by Northrop Grumman
- AT&T Nation's Football Classic®
- Nike World Basketball Festival
- Rock n' Roll USA Marathon
- D.C. United
- DC101 Chili Cook-off
- ShamrockFest '12
- DAYGLOW: Life in Color "E.N.D. TOUR"
- Congressional Baseball Classic

## Special Events

To attract visitors and diversify experiences for District residents, Events DC presents events and strategically partners with neighboring organizations to showcase the city and benefit the community.

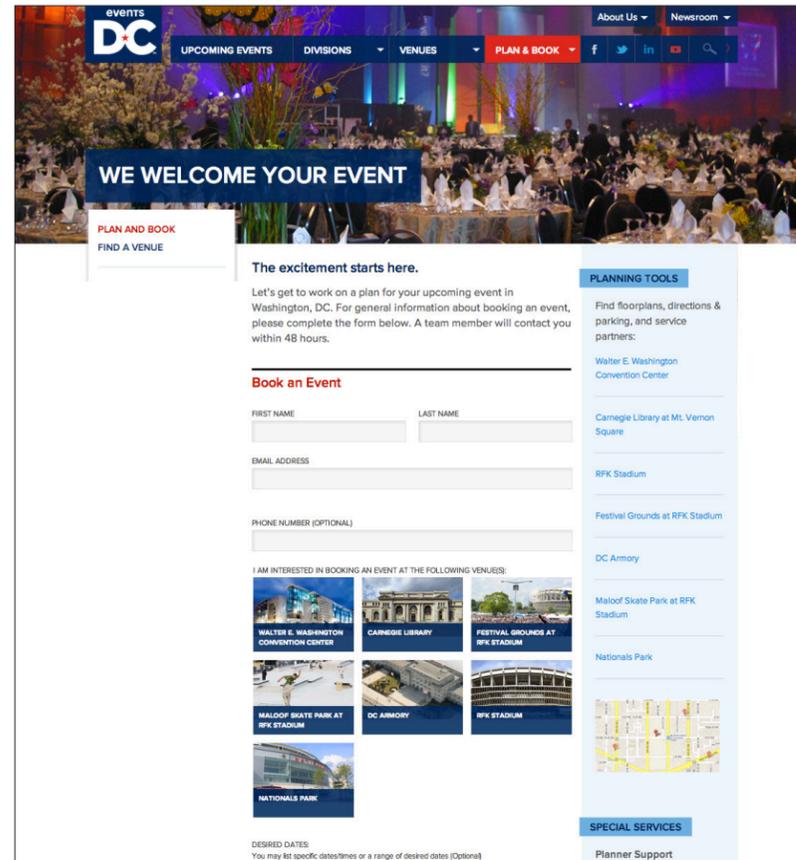
12  
EVENTS

1.5M+  
ATTENDEES

\$170M  
DIRECT SPENDING

### Key Events

- National Cherry Blossom Festival Centennial Celebration
- Washington International Horse Show
- DC Jazz Festival - Jazz in the 'Hoods presented by Events DC
- Nation's Triathlon
- Washington Kastles
- National Title IX Holiday Invitational Conference & Classic
- Heart to Hart Tennis Experience at Southeast Tennis and Learning Center



## Leading The Way With Cutting-Edge Technology

Technology has continued to transform how business is done. During FY '12, Events DC implemented several technological enhancements to improve the experience for visitors, meeting and event planners and potential clients. On the heels of a rebrand of the organization in 2011, Events DC introduced a redefined EventsDC.com website which now combines all of the organization's digital assets into one seamless site to make information more easily accessible. Among its impressive features, a dynamic events calendar that allows visitors to search by venue, event title, event type or date and a plan and book feature for all seven of the Events DC's properties.

In September 2012, Events DC partnered with SwiftMobile to launch the new Walter E. Washington Convention Center digital app. Available as a free download in the iTunes store and Android market, it is one of the few mobile venue apps in the country. It features searchable floor plans, venue services,

a complete guide to local transportation and flight information, GPS-enabled DC maps and popular functions such as event schedules.

Additionally, a state-of-the-art 7.5-foot-tall by 23-foot-wide LED display was installed above the entrance to Hall D to help as many as 15,000 visitors stay informed. In an effort to continue to deliver state-of-the-art communications capabilities, Events DC and Smart City partnered to offer remote connectivity to the Walter E. Washington Convention Center with surrounding hotels and venues through high-speed fiber connections. EventPath, which is also available at RFK Stadium, directly addresses the expanding needs of customers while providing new opportunities for planners looking for ways to create added-value for exhibitors and attendees through impactful technology enhancements. The two organizations also teamed up to expand free wireless connectivity to all public access areas inside of the Convention Center.

# Pumping Up The Impact

Events DC's multi-year investment of time and resources into global convention sales yielded its first dividends in 2012. AIDS 2012 generated an estimated \$27 million in economic activity for the District of Columbia, and its attendees created tens of thousands of hotel room nights during mid-July, a historically quiet period for the city's hoteliers. We also hosted the National Education Association's quadrennial Washington, DC convention over the Independence Day holiday, filling many of the District's hotels during an otherwise slow week. The year also saw the reopening of the historic Carnegie Library at Mt. Vernon Square as a special events venue.

The Hospitality Industry Professionals (HIP) network held one of the first events in the newly renovated Library when they used it for an after-party. Space Explorations Technologies Corporation (SpaceX) hosted a Dragon spacecraft viewing and reception for more than 800 people in July 2012. The Dragon was the first private spacecraft to visit the International Space Station.

In total, the Walter E. Washington Convention Center hosted 12 citywide meetings and 196 other events during FY12, generating an estimated \$350.7 million in direct delegate spending for the year and bringing the new Convention Center's total direct delegate spending to \$3.35 billion since its doors opened in March 2003.



## XIX International AIDS Conference

More than 20,000 visitors from around the world descended on Washington in late July 2012 for the five-day XIX International AIDS Conference, the leading annual gathering for those working in the field of HIV and committed to ending the disease. It was the first time since 1990 the International AIDS Society's (IAS) annual conference was held in the United States. The successful convention resulted in an estimated economic impact of \$28 million citywide as a result of hotel bookings, dining, shopping, visiting attractions and using local transportation.

A notable inclusion in the conference was the Global Village, a diverse and vibrant space enabling attendees from around the world to meet, share and learn from each other.

Because international visitors typically stay in Washington, DC longer and spend more money, there is a continued push to establish Washington, DC as an international conventions and meetings destination.



## CONVENTIONS & MEETINGS

### The National Association for Specialty Food Trade (NASFT) 2012 Summer Fancy Food Show

When it comes to fine foods, there is no place like the nation's capital. The 58th Summer Fancy Food Show, a magnet for more than 16,000 specialty food exhibitors and buyers from the top names in retailing and food service from around the world, contributed \$18.3 million in direct spending citywide in mid-June.

The three-day event has become the must-attend event for many of its participants, including representatives from more than 80 countries. In the process, it is helping to transform DC's reputation as a fine dining town, which presents great opportunities for restaurants around the city and creates an environment that will result in even greater economic impact in the coming years.



### AIPAC Annual Conference

President Obama and top Republican presidential candidates addressed 13,000 attendees at the American Israel Public Affairs Committee (AIPAC) annual conference held at the Walter E. Washington Convention Center in March 2012. During the conference, which generated more than \$14.8 million in direct spending citywide, the President reaffirmed the strength of America's special bond with Israel and Israeli Prime Minister Benjamin Netanyahu addressed the current state of Israel's relationship with Iran.



### National Education Association

Nearly 9,000 teachers were in town in July 2012 for the National Education Association's week-long annual convention held at the Walter E. Washington Convention Center. It has been held at the Convention Center every four years.

### 25th Anniversary Leukemia & Lymphoma Society Annual Ball

Guests and donors joined together in March 2012 to raise \$3 million for the Leukemia & Lymphoma Society at its 25th Anniversary Ball. Held at the Walter E. Washington Convention Center's Grand Ballroom, the gala boasted more than 400 silent auction items and performances by Sinbad and Foreigner. The annual event has now raised nearly \$48 million since 1988.



### Capitol Hill Volleyball Classic

The President's Day holiday weekend in February 2012 brought nearly 800 amateur volleyball teams to the nation's capital for setups, spikes and high-flying fun. Held at the Walter E. Washington Convention Center, the three-day event contributed more than \$16.5 million in economic impact and will grow to be a citywide event in 2013 with more interest from international teams.

# Accentuating Diverse Offerings

When it came to showcasing sports and entertainment in the city, Events DC had something for everyone in 2012. From football to food, running to rock-n-roll, and soccer to a nationally recognized St. Patrick's Day celebration, visitors and locals alike got the chance to experience the city's hospitality and focus on fun while generating revenue for the city.

More than 630,000 people pumped more than \$14 million in direct spending into the city's economy while attending 66 events over the course of the year. Sports enthusiasts enjoyed the fifth-annual Military Bowl, the second-annual AT&T Nation's Football Classic® and a rejuvenated D.C. United soccer team that made the playoffs for the first time since 2007. One of the year's singular highlights was the three-day Nike World Basketball Festival, which featured top hoops talent and showcased how the Stadium-Armory grounds can transform to accommodate world-class events.

For pure entertainment, highlights included the always popular DC101 Chili Cook-off, the 12th-annual ShamrockFest and the premier music and paint party, DAYGLOW.



## AT&T Nation's Football Classic®

Living up to this year's Classic tagline, "Classic Rivalry. Classic Tradition. Classic Fun," Howard University defeated Morehouse College, 30-29, in the second-annual AT&T Nation's Football Classic before 16,911 fans at RFK Stadium. The thrilling game had eight lead changes and a flurry of scoring in the final minutes as the two schools continued their historic rivalry. The game entertainment also included memorable performances from the Morehouse College "House of Funk," and Howard University "Showtime" marching bands.

Organized by Events DC, the AT&T Nation's Football Classic was created to celebrate the passion and tradition of the college football experience, recognize

the history of service to others by the students, faculty and alumni of historically black colleges and universities, and highlight the unity of African-American culture.

Celebrities, elected officials, university dignitaries, students, fans and alumni participated in a weekend full of activities from Thursday through Sunday over Labor Day weekend, including the Presidential Symposium, AT&T Kickoff Rally, Howard vs. Morehouse Student Debate, HBCU Alumni Mixer, the Pepsi Fan Festival and Chapel Service.

## D.C. Chili Cook-off

The 33<sup>rd</sup> annual DC101 Chili Cook-off rocked the RFK Stadium Festival Grounds in mid-May 2012 with seven national recording artists and more than 100 chili vendors. Attracting a record-breaking 31,000 attendees, the event raised more than \$1.3 million to benefit the National Kidney Foundation Serving the National Capital Area (NKF/NCA).

The Washington, DC area leads the nation in the prevalence of kidney disease with 700,000 affected, nearly 6,000 on dialysis and more than 1,500 waiting for a kidney transplant.



## SPORTS & ENTERTAINMENT

### Rock n' Roll USA Marathon

Affirming Washington, DC's standing as a premier destination for endurance sports, 21,000 runners participated in the Rock n' Roll USA Marathon and CareFirst Rock n' Roll USA Half Marathon operating under the international Rock n' Roll Marathon Series directed by the Competitor Group.

Featuring the only marathon course set entirely within the District of Columbia, the race included live band performances along the route and an expanded Finish Line Festival on the DC Armory Mall, providing fun and festivities for runners and their supporters. The 2012 race drew a record 40,000 visitors, 1,000 volunteers and 74,000 spectators.



### Nike World Basketball Festival

The DC Armory was spectacularly transformed to become the center of the hoops universe over three days in mid-July when the World Basketball Festival 2012 came to the nation's capital and attracted 10,500 attendees. During the celebration of the performance and culture of the game, Nike Inc., USA Basketball, and Jeep hosted several free events and exhibits for the general public to explore basketball history while also getting a chance to watch today's most talented players.

In addition to appearances by players from the 2012 men's and women's national teams, the World Basketball Festival featured elite youth players from Brazil, Canada, China, Lithuania, Puerto Rico and the United States taking part in the Global Challenge (U-18/U-19). Street ball teams from Chicago, Los Angeles, New York and Washington,



DC also battled for court supremacy in the City Tournament of Champions.

An exhibit within the DC Armory paid homage to basketball's heritage and specifically the 20<sup>th</sup> anniversary of the 1992 USA Basketball Dream Team, showcasing historic footwear and apparel memorabilia.

### Walter E. Washington Convention Center Glows With Pride For Sports Teams' Success

To celebrate the accomplishments of the Washington Nationals baseball team and the D.C. United soccer club, the Walter E. Washington Convention Center was regularly glowing red with pride in the fall. The Convention Center was specially lit to mark the Nationals' first playoff berth and the first time the District saw postseason baseball since 1933, and also in support of D.C. United's first playoff berth since 2007 and first appearance in the Eastern Conference finals since 2006.



### Military Bowl Presented by Northrop Grumman

The fifth Military Bowl presented by Northrop Grumman showcased the nation's capital as a college football destination. The game continued a tradition of tightly played contests as San Jose State University edged Bowling Green State University, 29-20, that featured four second half lead changes and wasn't decided until the final minutes. Nearly 18,000 fans at RFK Stadium watched San Jose State quarterback David Fales set a Military Bowl record by completing 33 of 43 passes for 395 yards.

The Military Bowl recognizes the nation's service men and women and their families, and benefits the USO to help thousands of military personnel and their families.

The Bowl game has become a signature holiday event in the area. The week leading up to the Military Bowl featured a full slate of ancillary events, including the popular Military Village, official tailgate party and teams' luncheon.



### ShamrockFest '12

Dropkick Murphys, Carbon Leaf, Scythian and a host of other performers led a day of non-stop music, food and fun when the 12<sup>th</sup> annual ShamrockFest returned to the RFK Stadium Festival Grounds in late March. Regarded as one of the most popular St. Patrick's Day parties in America, the celebration featured more than 50 live bands and DJs performing on 10 stages, a carnival-style amusement area, tented activity areas, food and craft vendors, and an NCAA college hoops viewing tent. Among the crowd favorites was the IrishVillage, which featured authentic Irish entertainers, local pub and restaurant booths and the infamous Shamrock Pub Games.



### D.C. United

A valued member of the local sports landscape and among the most successful franchises in MLS history, in the club's 17<sup>th</sup> season D.C. United made tremendous improvement during coach Ben Olsen's second full season in charge. The club qualified for the playoffs for the first time since 2007 by beating the Columbus Crew in front of a sold-out crowd of 19,657 at RFK Stadium. Its run ended in the Eastern Conference finals against the Houston Dynamo, but the Red-and-Black proved its loyal fan base has a lot to be excited about.



### DAYGLOW: Life in Color "E.N.D. Tour"

DAYGLOW, the premier music and paint party, returned to the RFK Stadium Festival Grounds in mid-April and late-September with an all new show: LIFE IN COLOR. The events attracted a big international contingent among 8,000 attendees in April and 15,000 in September. The evening event featured a brand new laser show, cirque-style live acts, its world-famous "Paint Blast," new DAYGLOW paint cannons shooting more than 100 feet into the crowd, and the latest house and techno music by some of the world's hottest DJs.

# Celebrate in the City

To provide a wide range of offerings to attract visitors to the city and create an array of unique opportunities for city residents, Events DC presents events, partners with area organizations and involves itself in other opportunities to benefit the community.

## Heart to Hart Tennis Experience: Southeast Tennis & Learning Center

Former DC Mayor Anthony Williams and Washington Kastles owner Mark Ein were honored at the 14<sup>th</sup>-annual Heart to Hart Tennis Experience presented by Events DC. Held at the Southeast Tennis and Learning Center (STLC) in October, the fundraising event attracted local politicians, business leaders, media personalities and area youth and their families. The combination of education and tennis provided at the STLC for 85 District youths is among the communities' biggest successes as it provides tutoring, life skills and other educational and developmental opportunities. Events DC is honored to support their efforts in developing leaders in the classroom and on the tennis courts.

## Nation's Triathlon

In early September, thousands of triathletes participated in the 7<sup>th</sup> annual Nation's Triathlon to benefit the Leukemia & Lymphoma Society (LLS) in its effort to help fund treatments that save the lives of blood cancer patients every day. The course includes a 1.5k swim in the Potomac River, 40k bike course through DC, and a 10k run that winds through Washington, DC's monument corridor in the shadow of the nation's best-known memorials and national treasures. Since 2008, the triathlon has helped raise \$12.5 million to benefit LLS.

## Jazz in the 'Hoods presented by Events DC



Recognizing the importance of driving tourism throughout the city, Events DC sponsored the DC Jazz Festival, which featured more than 80 performances across the District through the Festival's "Jazz in the 'Hoods" program. The highly popular Jazz in the 'Hoods performance series was spread over 10 days at more than 50 museums, clubs, restaurants, hotels, and galleries in 21 distinct neighborhoods.

## Washington Kastles

Events DC also provided support to the championship Washington Kastles professional tennis team, whose stadium, an anchor for redevelopment and outdoor activation of the District's Southwest Waterfront, attracted more than 15,000 spectators to seven matches, generating \$2.68 million in economic activity. In a city that is elevating its game when it comes to winning sports teams, the Kastles tennis team has set a new standard. The Kastles won their third World Team Tennis championship in four years and finished their second consecutive perfect season. With 32 straight wins, the Kastles will be seeking to break the league record for consecutive victories when they open their season in July 2013.

## Washington International Horse Show



One of the leading equestrian events in the U.S. and among the few remaining major metropolitan indoor horse shows, the Washington International Horse Show drew leading horses and riders from around the world in October. Attracting attention from tens of thousands of equestrians, celebrities and politicians, the six-day event includes show jumping, dressage, hunter and equitation competition, plus Kids' Day, Barn Night, special exhibitions, shopping and hospitality.

## National Title IX Holiday Invitational Conference & Classic presented by Events DC

In celebration of the 40<sup>th</sup> anniversary of the passage of Title IX in 1972, Events DC and Nike joined as sponsors of the Sankofa Project's fourth-annual National Title IX Holiday Invitational Conference & Classic presented by Events DC. The four-day conference and high school girls' basketball invitational held in late December included a conference highlighting gains for women's athletics since Title IX's passage, a banquet and celebration, workshops for athletes and parents, and the invitational girl's basketball tournament with 16 highly competitive teams.

## Kingman's Island Bluegrass Festival

Thousands enjoyed great entertainment and food when the third-annual Kingman Island Bluegrass and Folk Festival once again occupied a man-made island that has become one of the city's last nature refuges. The festival seeks to bring attention to both the island and the Anacostia River. Kingman and Heritage islands were created by the Army Corps of Engineers in 1916 from land dredged from the Anacostia River. DC took control of the land in the mid-1990s, and recent efforts have focused on turning the islands into a nature refuge and recreation area.

## Winter Wonderland

In partnership with the Advisory Neighborhood Commission, Events DC each year brings families, the local Shaw community and city officials together for a fun-filled holiday event that includes toys for 100 children.



## Public Art Program



With works of art by both local and international artists, the Walter E. Washington Convention Center's "Art at the Center" is the largest public art collection in the District outside of a museum with more than 130 works of art. Free curator-led public art tours allow visitors to experience the diverse \$4 million art collection featuring a collection of site-specific sculpture, paintings and photography that bring a sense of human scale to the Convention Center. A major highlight is the "Shaw Wall," which celebrates the historic Shaw community, one of the District's oldest African-American neighborhoods and home to the Convention Center.

## Safeway Feast of Sharing

### Serves Thousands of Residents

Events DC hosted the 13<sup>th</sup>-annual Safeway Feast of Sharing at the Walter E. Washington Convention Center. Supported by a host of partners, the event served warm holiday meals to more than 5,000 District residents in need, while also providing health screenings, job fair opportunities and free clothing.

Volunteers and special guests included DC Mayor Vincent C. Gray, members of the City Council, Events DC board members and staff, and Grammy Award-winning recording artist Mya.

## Windows into DC: Cultural Couture

Events DC has partnered with the DC Commission on the Arts and Humanities since 2010 to present "Windows into DC," a first-of-its-kind exhibit that energizes select storefronts and windows. During this time, the initiative has served as a fashion incubator in the city and helped energize the surrounding area.

The third installation, entitled "Windows Into DC: Cultural Couture," was a local art installation and fashion design initiative featuring a rotating series of artistic installations using the perimeter windows of the Convention Center. It featured original fine artwork from individuals, design teams, and art organizations such as the Washington Project for the Arts that showcased contemporary fine art inspired by original haute couture.



## Military Bowl Youth Clinic

In conjunction with the Military Bowl presented by Northrop Grumman and the National Collegiate Athletic Association, Events DC annually hosts the NCAA Football Youth Clinic. This collaboration features a free football clinic open to boys and girls ages 7-14, and discussions led by college football coaches and current professional players on the benefits of sportsmanship, teamwork and positive character development. The fun-filled day concludes with seven-on-seven flag football games.



# Strategic Partnerships



With commitment to leading the way in attracting more activity in the District, Events DC also collaborates with neighboring organizations to define even greater success for the District.

Events DC has worked in concert with Destination DC for the past 12 years to bring visitors to Washington, DC, and encourage them to stay in local hotels, dine in city restaurants and enjoy our nationally-recognized local attractions. Destination DC continues to market and promote the city as a tourism destination and attracting domestic and international meetings and conventions to the Walter E. Washington Convention Center. Working together, Events DC and Destination DC continue to build momentum in establishing the nation's capital as a premier place to visit and conduct important conferences and events.

Events DC also continues its strategic partnerships with a number of other organizations, including the National Cherry Blossom Festival and Cultural Tourism DC, which focuses its attention on attracting tourism to historic DC neighborhoods.

Events DC's membership in the DC Chamber of Commerce and the Greater Washington Hispanic Chamber of Commerce has enabled a collaborative approach on numerous events, while effectively showcasing the hospitality and convention industries in the District. At the same time, Events DC's interests in promoting and attracting numerous sporting events continues to benefit from its partnership with the Greater Washington Sports Alliance.

Events DC continues to lead the way in expanding opportunities to attract even more visitors from around the world to our nation's capital. The organization will continue to rely on these and other partnerships to maximize the city's strengths and amplify our message that DC is a destination second to none.



## National Cherry Blossom Festival Centennial Celebration

Events DC continued to make targeted investments in some of the District's marquee special events during the year, the largest of which was the Centennial Celebration of the National Cherry Blossom Festival, which expanded to five weeks in 2012 due, in part, to Events DC's increased financial support. The Festival had an estimated attendance of 1.5 million people and generated approximately \$160 million in economic impact for the year.

Commemorating the 100<sup>th</sup>-anniversary of the gift of the cherry blossom trees and the enduring friendship between the United States and Japan, the 2012 Centennial Celebration of the National Cherry Blossom Festival's official opening ceremony welcomed 6,000 people to the Walter E. Washington Convention Center for a celebration merging traditional and contemporary performances in a thrilling production. Performances

included Grammy-nominated Sara Bareilles; Japanese sensations Misa and Hideki Togi, who performed with the Children's Chorus of Washington, DC, DC native mezzo-soprano Denyce Graves-Montgomery and the Washington Ballet.

The Festival parade included the debut of an Events DC float celebrating the 50<sup>th</sup>-anniversary of Robert F. Kennedy Memorial Stadium on a world stage. The parade was syndicated for the first time after being shown live. The float prominently promoted Events DC as the face of conventions, entertainment, sports and cultural events within the nation's capital.

Events during the rest of the Festival featured diverse and creative programming promoting traditional and contemporary arts and culture, natural beauty, and community spirit.

## Accentuate Variety of Offerings



### Walter E. Washington Convention Center

Celebrating 10 years of excellence in hosting noteworthy events both large and small, the Walter E. Washington Convention Center is recognized as a world-class venue, a leading catalyst for economic growth in the District, and the venue of choice for meeting planners and attendees.



### RFK Stadium & Festival Grounds

Robert F. Kennedy Memorial Stadium, known around the world as "RFK," a multi-purpose stadium that hosts numerous events throughout the year, including serving as home to the D.C. United soccer club and AT&T Nation's Football Classic. It is also used from time to time by the U.S. men's national soccer team. It's surrounding Festival Grounds are also used to host numerous concerts and community events throughout the year.



### Nationals Park

Home to the National League Eastern Division champion Washington Nationals, who owned the best record in the major leagues in 2012, Nationals Park is so much more than one of the premier sports facilities in America.

### DC Armory

One of the most versatile venues in the mid-Atlantic region, the DC Armory can host conventions, circuses and balls, as well as concerts, expos, sporting events and trade shows. The Armory can be adapted to audiences of varying sizes from 100 to 10,000.



### Maloo Skate Park at RFK Stadium

The Maloo Skate Park is an outdoor playground for skateboard lovers of all ages and skills. The 15,000-square-foot facility is located in parking lot 3 adjacent to RFK Stadium.



### Carnegie Library at Mt. Vernon Square

One of the city's historic treasures reopened its doors in March 2012 when Events DC completed renovations to the Carnegie Library at Mt. Vernon Square. A complement to the Walter E. Washington Convention Center located across the street, the Carnegie Library operates as a unique special-events venue.

## Fiscal 2013 and Beyond



### Ball Celebrates Second Inauguration of President Obama

Events DC took center stage as host of the official Inaugural Ball and other festivities following President Obama's re-election. President Obama's second inaugural ball marked the third time the Walter E. Washington Convention Center has hosted the official inaugural balls since opening in 2003.

### Washington Marriott Marquis Update

One of only five Marriott Marquis properties in the country is scheduled to open its doors in May 2014, providing the Walter E. Washington Convention Center an outstanding anchor hotel that will drive new business to benefit the surrounding community and the entire city. The 1,175-room, 49-suite Washington Marriott Marquis is designed to reflect its surroundings and complement the adjacent Convention Center. It will include 100,000 square feet of function space and a pedestrian connector to the Convention Center, as well as retail and restaurant outlets.



### Promotion Highlights Local Sports Success

Under the tagline "Politics isn't the only sport in town," Events DC highlighted the accomplishments of the Washington Nationals, D.C. United and the Washington Kastles with a poster on Metro buses in the District as they prepared for their 2013 seasons.

### 10-Year Anniversary



In March 2013, Events DC unveiled a campaign designed to remember the past decade of achievement at the Walter E. Washington Convention Center and shine a spotlight on its bright future.



### U.S. Men's Soccer Centennial Game vs. Germany

RFK Stadium hosts the U.S. Men's National Team (USMNT) versus Germany in June 2013 as part of U.S. Soccer's 100-year anniversary Centennial Celebration. It is the 22<sup>nd</sup> time RFK Stadium has hosted the USMNT.

# Measuring Our Success

## Financial Statements

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**To the Mayor and the Council of the Government of the District of Columbia  
Board of Directors Washington Convention and Sports Authority  
Washington, DC**

We have audited the accompanying statement of net assets of the Washington Convention and Sports Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. The basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Washington Convention and Sports Authority as of and for the year ended September 30, 2011, were audited by other auditors whose report dated January 26, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2013 on our consideration the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, on pages 3 through 10, is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of net assets by fund and the schedule of revenues, expenses and changes in net assets by fund on pages 31 through 33 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



BertSmith & Co.  
January 28, 2013

As management of Washington Convention and Sports Authority (Authority) doing business as Events DC, we present this Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2012, 2011 and 2010. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

**Introduction**

On October 1, 2009, in accordance with the Washington Convention Center Authority (WCCA) and D.C. Sports and Entertainment Commission (DCSEC) Merger Amendment Act of 2009, D.C. Law 18-111, D.C. Sports and Entertainment Commission was absorbed as a program of the WCCA and its mission, responsibilities and assets were transferred to WCCA. Following the transfer, the WCCA was renamed the Washington Convention and Sports Authority. This transfer created one umbrella organization with a broadened charter for increasing economic development through the promotion of key sports and entertainment offerings, as well as, major national and international conventions, meetings and special events held in the District of Columbia. As part of the Amendment Act, the Department of General Services (DGS) formerly known as the District's Department of Real Estate Services (DRES) became responsible for the facility maintenance tasks previously performed by the D.C. Sports and Entertainment Commission.

To further the effort of the expanded mission, the Authority created a new brand identity "Events DC" on June 22, 2011. The new name is the centerpiece of a marketing effort intended to draw more events to the convention center, RFK Stadium and the D.C. Armory. The new name is also designed to align with the existing brands for Washington, D.C. and the city's tourism arm, Destination DC.

Events are at the heart of the organization's work to create economic and community benefits for the District of Columbia, and adopting the name Events DC underscores both the mission and the agency's core strengths. In addition, the name Events DC, which aligns with the existing Washington, D.C. brand identity, defines the Authority's ownership of the events and visitors experience in Washington, D.C., creating consistency among its core lines of business while adding an exciting new energy to the organization's work.

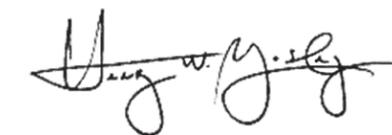
**About Our Business**

The Authority operates three distinct business divisions that generate significant regional economic impact by attracting conventions, tradeshow, sports and entertainment and other special events. The Convention & Meetings Operations Division includes the Walter E. Washington Convention Center (WEWCC), an anchor of the District's hospitality and tourism economy that generates event-related revenue primarily from the sale and use of meeting and exhibition space, other ancillary services such as meeting room change over and commissions on telecommunications, audio-visual, electrical and catering at the WEWCC and Carnegie Library. The Sports and Entertainment Division (SED), which includes Robert F. Kennedy Memorial Stadium, the D.C. Armory and the surrounding Festival Grounds functions as landlord for Nationals Park. SED generates revenue primarily from hosting a full season of DC United major league soccer games and other entertainment and community events. Through the Special Events Division, the Authority is actively involved in the planning and support of some of the city's most anticipated events, attracting thousands of attendees to locations around the city which bring economic impact to our nation's capital.

The Authority also operates a public parking lot located at the old Washington Convention Center site at 900 9th Street, N.W., Washington, D.C. The parking lot generates revenue primarily from parking fees and hosting special events such as holiday bazaars, sporting events, concerts and open air markets. Currently, the parking lot is managed through an agreement with an independent contractor.



Gregory A. O'Dell  
President and Chief Executive Officer



Henry W. Mosley, CPA  
Chief Financial Officer

**Fiscal 2012 Financial Highlights**

- Net assets decreased by \$15.2 million, a decrease of 4% when compared to the year ended September 30, 2011. The net decrease in net assets primarily resulted from a reduction in the restricted cash balance related to the convention center headquarters' hotel project.

- Operating expenses decreased by \$1.5 million or 2% from fiscal year 2011, due to decreases in cost related to personal services, contractual services, payment to the District and miscellaneous expenses.

- Operating revenue decreased by \$2.9 million or 12% from fiscal year 2011, resulting in total operating revenue of \$22.5 million in FY 2012. The decrease is due to the ongoing economic downturn that forced clients to cancel booked events and also cut back on discretionary spending, in revenue categories of catering and electrical service commission. Also, reduction in parking lot space contributed to the decrease in parking revenue.

- Assets exceeded liabilities by \$337 million at the close of fiscal year 2012, a 4% decrease over FY 2011.

- The Authority's long-term debt, including current maturities, decreased by \$6 million to \$684 million or 1%, over FY 2011.

- The statement of cash flows reflects a decrease in cash for the year by \$0.1 million.

- The Authority's bonds are rated "A2" by Moody's, "A" by Standard & Poor's Corporation and "A+" by Fitch Rating Services.

**(1) Overview of the Financial Statements**

The Authority's financial report includes: Management's Discussion and Analysis; the Financial Statements; and Notes to the Financial Statements.

- The Financial Statements are designed to provide readers with a broad overview of the Authority's financial activities, in a manner similar to a private-sector business. These financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units on a full accrual basis. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and

|         |      |  |
|---------|------|--|
| ↓       | 4%   | Decrease in net assets                             |
| ↓       | 2%   | Decrease in operating expenses                     |
| ↓       | 12%  | Decrease in operating revenue                      |
| ↓       | 4%   | Decrease in amount assets exceed liabilities       |
| ↓       | 1%   | Decrease in long-term debt                         |
| ↓       | 0.1M | Decrease in cash for the year                      |
| A2/A/A+ |      | Moody's / Standard & Poor's and Fitch bond ratings |

deferred assets are recognized in the statement of revenues, expenses, and changes in net assets. The basic Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed therein.

- The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- The Statement of Revenues, Expenses and Changes in Net Assets report both the operating and non-operating revenues and expenses and other changes in net assets for the end of a fiscal year.

- The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments resulting from operating activities, capital and related financing activities, non capital financing activities and investing activities.

**(2) Financial Analysis**

The Authority's audited Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows are presented on pages 39 through 41. The following table reflects a summary of the Authority's net assets at September 30, 2012, 2011 and 2010 (in thousands):

The total net assets of the Authority decreased by \$15 million or 4%, and \$21 million or 6%, for the years ended September 30, 2012 and 2011, respectively. As of September 30, 2012, the Authority had total net assets amounting to approximately \$337 million, with the largest portion of the Authority's net assets, \$201 million or 59%, reflecting its investment in capital assets less any related debt used to acquire the assets.

The Authority uses its capital assets to fulfill its mission of promoting conventions, tourism and sports and entertainment events in the District of Columbia. The

resources to repay the debt are derived from dedicated tax collections which are composed of (i) 4.45% sales and use tax on hotel room charges and (ii) a 1% sales and use tax on restaurant meals, alcoholic beverages consumed on premises and rental vehicle charges in the District of Columbia.

Of the Authority's remaining net assets, \$160 million or 48% represents resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements).

**Table 1 / Condensed Statements of Net Assets**

(in thousands)

|   | 2012                | 2011                | 2010              | Percentage change |           |
|---|---------------------|---------------------|-------------------|-------------------|-----------|
|   |                     |                     |                   | 2012-2011         | 2011-2010 |
| Current assets                                    | \$ 87,620           | \$ 72,832           | \$ 110,447        | 20%               | -34%      |
| Capital assets net of accumulated depreciations   | 638,952             | 652,054             | 671,559           | -2%               | -3%       |
| Other non-current assets                          | 336,788             | 347,595             | 89,029            | -3%               | 290%      |
| <b>Total Assets</b>                               | <b>\$ 1,063,360</b> | <b>\$ 1,072,481</b> | <b>\$ 871,035</b> |                   |           |
| Current liabilities                               | \$ 58,427           | \$ 48,595           | \$ 35,592         | 20%               | 37%       |
| Non-current liabilities                           | 667,494             | 671,246             | 462,114           | -1%               | 45%       |
| <b>Total Liabilities</b>                          | <b>\$ 725,921</b>   | <b>\$ 719,841</b>   | <b>\$ 497,706</b> |                   |           |
| <b>Net Assets</b>                                 |                     |                     |                   |                   |           |
| Investment in capital assets, net of related debt | \$ 200,710          | \$ 212,311          | \$ 196,910        | -5%               | 8%        |
| Restricted  | 160,454             | 148,748             | 83,282            | 8%                | 79%       |
| Unrestricted                                      | (23,725)            | (8,419)             | 93,137            | 182%              | 109%      |
| <b>Total Net Assets</b>                           | <b>\$ 337,439</b>   | <b>\$ 352,640</b>   | <b>\$ 373,329</b> |                   |           |

**Table 2 / Revenues, Expenses and Changes in Net Assets**  
(in thousands)

|  |                   |                   |                   | Percentage change |           |
|--|-------------------|-------------------|-------------------|-------------------|-----------|
|  | 2012              | 2011              | 2010              | 2012-2011         | 2011-2010 |
| <b>Operating Revenues:</b>                         |                   |                   |                   |                   |           |
| Building rental                                    | \$ 8,536          | \$ 9,151          | \$ 8,126          | -7%               | 13%       |
| Ancillary charges                                  | 14,017            | 16,336            | 14,274            | -14%              | 14%       |
| <b>Total Operating Revenues</b>                    | <b>\$ 22,553</b>  | <b>\$ 25,487</b>  | <b>\$ 22,400</b>  |                   |           |
| <b>Operating Expenses:</b>                         |                   |                   |                   |                   |           |
| Personal services                                  | \$ 18,291         | \$ 18,422         | \$ 17,173         | -1%               | 7%        |
| Contractual services                               | 18,064            | 18,201            | 16,105            | -1%               | 13%       |
| Depreciation                                       | 31,442            | 33,215            | 32,385            | -5%               | 3%        |
| Occupancy  | 7,056             | 7,003             | 6,598             | 1%                | 6%        |
| Payments to District                               | 2,380             | 2,775             | 3,527             | -14%              | -21%      |
| Miscellaneous                                      | 964               | 1,013             | 936               | -5%               | 8%        |
| Bad debt   | 1,213             | 335               | 204               | 262%              | 64%       |
| <b>Total Operating Expenses</b>                    | <b>\$ 79,410</b>  | <b>\$ 80,964</b>  | <b>\$ 76,928</b>  |                   |           |
| Operating loss                                     | (56,857)          | (55,477)          | (54,528)          | 2%                | 2%        |
| <b>Non-operating Revenues and (Expenses):</b>      |                   |                   |                   |                   |           |
| Interest income                                    | \$ 2,006          | \$ 2,094          | \$ 959            | -4%               | 118%      |
| Dedicated taxes                                    | 101,026           | 97,996            | 94,108            | 3%                | 4%        |
| Miscellaneous                                      | 4,284             | 1,231             | 189               | 248%              | 551%      |
| Bond interest and amortization issue costs         | (36,320)          | (35,860)          | (23,873)          | 1%                | 50%       |
| Marketing agencies payments                        | (10,610)          | (10,073)          | (10,416)          | 5%                | -3%       |
| Funding Hotel Project                              | (18,730)          | (20,600)          | -                 | -9%               | 100%      |
| <b>Total Non-operating Revenues and (Expenses)</b> | <b>\$ 41,656</b>  | <b>\$ 34,788</b>  | <b>\$ 60,967</b>  |                   |           |
| Net assets deficit                                 | (15,201)          | (20,689)          | 6,439             | -27%              | -421%     |
| Net assets, beginning of year                      | 352,640           | 373,329           | 366,890           | -6%               | 2%        |
| <b>Net assets, end of year</b>                     | <b>\$ 337,439</b> | <b>\$ 352,640</b> | <b>\$ 373,329</b> |                   |           |

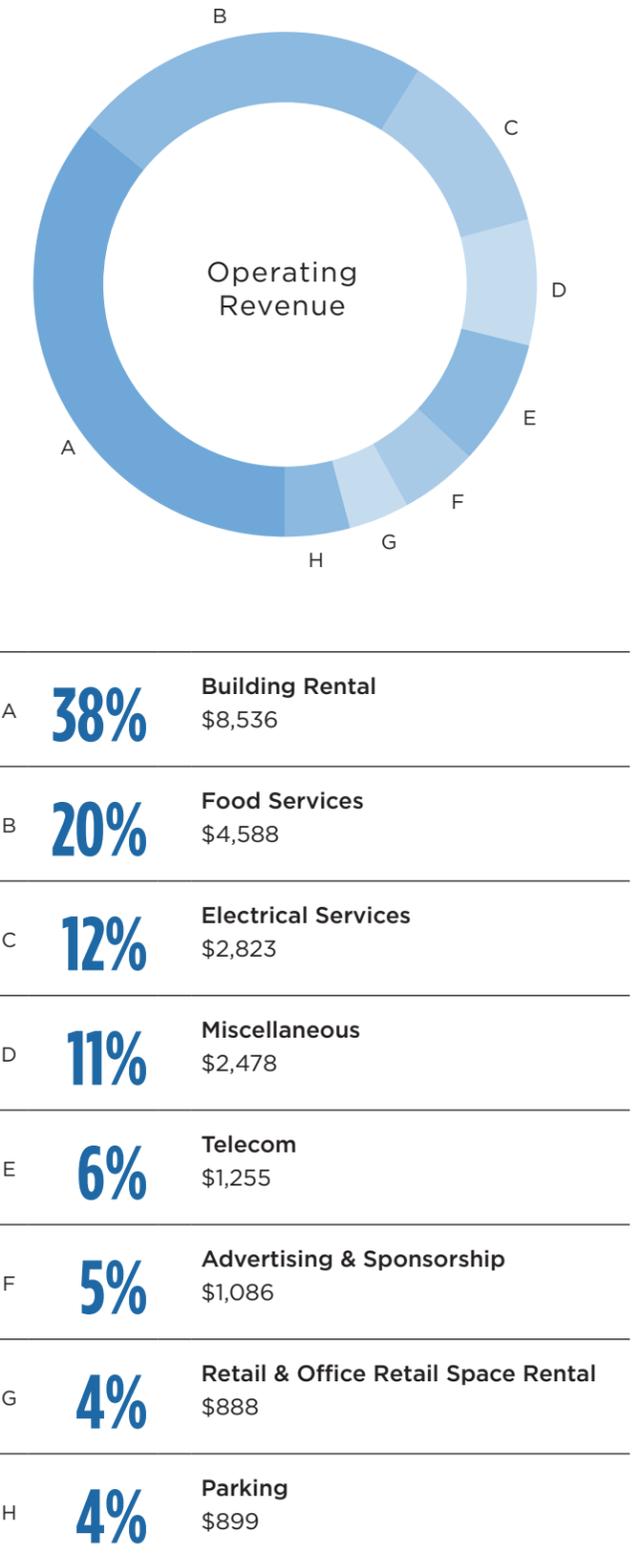
**Analysis of Changes in Net Assets**

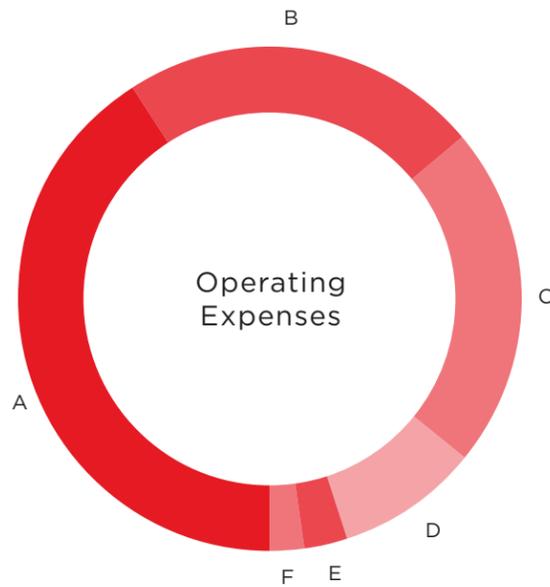
**Revenues**

For the fiscal years ended September 30, 2012, 2011 and 2010, the Authority's operating revenues were \$22.5 million, \$25.5 million, and \$22.4 million, respectively. Revenue decreased by 12% compared to the previous year. The decrease is due to the ongoing economic downturn that forced clients to cut back on discretionary spending, with notable decreases in revenue categories of building rental, food and electrical service commission. In addition, the Authority renegotiated the lease agreement with D.C. United which reduced the operating license fee for the FY 2012 soccer season. Parking revenues decreased as the number of leased parking lot spaces were substantially reduced from 840 parking spaces to 90, as the development on the old convention center site progressed. Partially offsetting the above decreases was an increase in miscellaneous income sources including trash hauling charges, special meeting room setup charges, equipment rental, and fees earned from ATMs installed inside the Convention Center. Also in FY 2012, the Authority started charging facilities maintenance fee on all paid tickets at RFK Stadium, D.C. Armory and the surrounding Festival Grounds which contributed to an increase in miscellaneous income.

The following is a graphic illustration of operating revenue by source.

During FY 2012, non-operating revenues of \$107.3 million were \$6 million or 6% higher than in FY 2011. This is as a result of an increase in dedicated tax revenue and miscellaneous income. Non-operating revenues increased by \$6 million or 6% from 2010 to 2011. This is as a result of an increase in dedicated tax revenue, interest and miscellaneous income.





**Expenses**

For fiscal years 2012, 2011 and 2010, the Authority's total operating expenses were \$79.4 million, \$80.9 million and 76.9 million, respectively. Total operating expenses decreased by \$1.5 million or 2% from fiscal year 2011, the decrease was driven by specific cost containment efforts by management in the area of personal and contractual services to offset projected reductions in revenue from operations. When compared to fiscal year 2010, fiscal year 2011 operating expenses increased by \$4 million or 5% as new marketing initiatives were implemented and contractual services cost increased with the first production of the AT&T Nation's Football Classic (NFC) hosted at RFK Stadium.

The following is a graphic illustration of operating expenses.

Salaries decreased by \$0.1 million or 1%, due to unfilled vacant positions and savings related to health and retirement benefits from vacant positions, compared to prior year. Cost containment measures have kept contractual services costs relatively flat, a decrease of \$0.1 million or 1% compared to FY 2011. Occupancy expense, which includes all utility related expenses such as electricity, telecommunication, water, sewer and natural gas expense accounted for \$7 million, an increase of 1% compared to FY 2011. Depreciation expense, primarily for the convention center building, amounted to \$31 million in fiscal year 2012.

The Authority's non-operating expenses consisted of \$36.3 million in bond interest payment and amortized issuance costs, \$18.7 million to finance construction and development of a privately owned headquarters hotel (the "HQ Hotel") for the Convention Center and \$10.6 million in payments to marketing agencies. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the Marketing Fund for the purpose of promoting conventions and tourism in the District of Columbia.

**(3) Capital Asset and Debt Administration**

**Capital Assets**

The Authority has invested \$639 million in capital assets (net of depreciation). Approximately 79% of this investment is related to the cost of the convention center building. The Authority's capital assets have increased by \$18.3 million compared to fiscal year 2011, which was primarily due to building improvements, the Convention Center headquarters' hotel pre-development costs, purchase of additional furniture, and the capital lease agreement for the Carnegie Library. Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2012, 2011 and 2010. The changes are presented in detail in Note 3 to the financial statements.

**Table 3 / Capital Assets (Net of Depreciation)**

(in thousands)

|   |                   |                   |                   | Percentage Change |           |
|---|-------------------|-------------------|-------------------|-------------------|-----------|
|   | 2012              | 2011              | 2010              | 2012-2011         | 2011-2010 |
| <b>Non-depreciable</b>                      |                   |                   |                   |                   |           |
| Land  | \$ 4,785          | \$ 4,785          | \$ 4,785          | 0%                | 0%        |
| Construction in progress                    | 7,316             | 4,422             | 4,052             | 65%               | 9%        |
| Plumber's building                          | 32,155            | 33,425            | 33,425            | -4%               | 0%        |
| Artwork                                     | 2,742             | 2,742             | 2,742             | 0%                | 0%        |
| <b>Total non-depreciable capital assets</b> | <b>\$ 46,998</b>  | <b>\$ 45,374</b>  | <b>\$ 45,004</b>  |                   |           |
| <b>Depreciable</b>                          |                   |                   |                   |                   |           |
| Building                                    | 769,453           | 769,453           | 769,453           | 0%                | 0%        |
| Building improvements                       | 24,539            | 22,955            | 21,446            | 7%                | 7%        |
| Building improvements - RFK Stadium         | 34,181            | 34,051            | 33,755            | 0%                | 1%        |
| Stadium Structure                           | 19,037            | 19,037            | 19,037            | 0%                | 0%        |
| Parking Lot improvements                    | 5,965             | 5,965             | 5,965             | 0%                | 0%        |
| Central plant                               | 16,265            | 16,265            | 16,265            | 0%                | 0%        |
| Carnegie Library (Visitor Center)           | 21,941            | 8,985             | -                 | 144%              | 100%      |
| Carnegie Library - Building Improvements    | 71                | -                 | -                 | 100%              | 0%        |
| Financial Systems                           | 1,446             | 1,446             | 1,416             | 0%                | 2%        |
| Furniture and Fixtures                      | 19,790            | 18,596            | 16,507            | 6%                | 13%       |
| Furniture and Fixtures - RFK Stadium        | 490               | 451               | 367               | 9%                | 23%       |
| Machinery and equipment                     | 9,530             | 8,788             | 8,439             | 8%                | 4%        |
| <b>Total depreciable capital assets</b>     | <b>\$ 922,708</b> | <b>\$ 905,992</b> | <b>\$ 892,650</b> |                   |           |
| Less accumulated depreciation               | 330,754           | 299,312           | 266,095           | 11%               | 12%       |
| <b>Net capital assets</b>                   | <b>\$ 591,954</b> | <b>\$ 606,680</b> | <b>\$ 626,555</b> |                   |           |

**Debt Administration**

The Authority had \$683 million and \$689 million in debt outstanding at the end of fiscal years September 30, 2012 and 2011 respectively. Repayments of \$13.2 million and \$13 million were made during fiscal year 2012 and 2011, respectively.

The debt position of the Authority is summarized below and is more fully analyzed in the financial statements. (See Note 7 for more information on long-term debt).

In addition to the above long-term outstanding debt, the Authority has long-term liabilities related to compensated absences of \$1 million.

The Authority's bonds are rated "A2" by Moody's and "A" by Standard & Poor's Corporation and "A+" Fitch Rating Services.

**Table 4 / Long-Term Debt Outstanding**  
(in thousands)

|  |                   |                   |                   | Percentage change |           |
|--|-------------------|-------------------|-------------------|-------------------|-----------|
|  | 2012              | 2011              | 2010              | 2012-2011         | 2011-2010 |
| Bonds Payable                                | \$ 659,164        | \$ 672,309        | \$ 465,998        | -2%               | 44%       |
| Capital Lease obligation                     | 16,840            | 8,985             | -                 | 87%               | 100%      |
| Financing Arrangements                       | 7,213             | 7,932             | 8,651             | -9%               | -8%       |
| <b>Total debt outstanding</b>                | <b>683,217</b>    | <b>689,226</b>    | <b>474,649</b>    |                   |           |
| Current portion of debt outstanding          | 16,705            | 18,984            | 13,419            | -12%              | 41%       |
| <b>Debt outstanding less current portion</b> | <b>\$ 666,512</b> | <b>\$ 670,242</b> | <b>\$ 461,230</b> |                   |           |

**(4) Budgetary Controls**

The Authority adopts an operating and capital budget, which are approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted if necessary by the Board prior to the start of each new fiscal year. The budgets are loaded into the Authority's Financial Management System, which prevents overspending without appropriate approvals. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure the Authority complies with its authorized budget levels. After approval by the Board of Directors, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia to be included in the District's budgets that are sent to the United States Congress for approval.

**(5) Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Mr. Henry W. Mosley  
Chief Financial Officer  
Washington Convention and Sports Authority  
801 Mount Vernon Place, NW  
Washington, D.C. 20001

|  | 2012                | 2011                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| <b>Current assets:</b>   |                     |                     |
| Cash and Cash Equivalents  | \$ 10,455           | \$ 11,611           |
| Restricted Cash  | 2,287               | 936                 |
| Due from District of Columbia                                    | 12,611              | 8,405               |
| Accounts Receivable, Net of Allowance for Uncollectible Accounts | 2,533               | 3,846               |
| Prepaid Expenses and Other Assets                                | -                   | 27                  |
| Accrued Interest Receivable                                      | 678                 | 2,925               |
| Investments  | 59,056              | 45,082              |
| <b>Total current assets</b>                                      | <b>87,620</b>       | <b>72,832</b>       |
| <b>Noncurrent Assets</b>   |                     |                     |
| Restricted Investments   | 327,045             | 337,476             |
| Non-Depreciable Capital Assets                                   | 46,998              | 45,374              |
| Depreciable Capital Assets, Net of Accumulated Depreciation      | 591,954             | 606,680             |
| Unamortized Bond Issue Costs                                     | 9,743               | 10,119              |
| <b>Total Noncurrent Assets</b>                                   | <b>975,740</b>      | <b>999,649</b>      |
| <b>Total Assets</b>  | <b>\$ 1,063,360</b> | <b>\$ 1,072,481</b> |
| <b>Liabilities</b>   |                     |                     |
| <b>Current Liabilities</b>                                       |                     |                     |
| Accounts Payable   | \$ 8,413            | \$ 8,222            |
| Due to District Government                                       | 5,666               | 791                 |
| Compensation Liabilities   | 588                 | 361                 |
| Deferred Revenue   | 3,202               | 2,561               |
| Accrued Interest Payable   | 17,376              | 17,676              |
| Other Financing Arrangement Payable, Current Portion             | 719                 | 719                 |
| Other Short-Term Liabilities                                     | 6,477               | -                   |
| Capital Lease, Current Portion                                   | 2,121               | 5,000               |
| Bonds Payable, Current Portion                                   | 13,865              | 13,265              |
| <b>Total Current Liabilities</b>                                 | <b>58,427</b>       | <b>48,595</b>       |
| <b>Noncurrent Liabilities</b>                                    |                     |                     |
| Compensated Absences   | 982                 | 1,004               |
| Long-term Bonds Payable including Premium                        | 645,299             | 659,044             |
| Capital Lease - Long-term  | 14,719              | 3,985               |
| Long-term Other Financing Arrangement Payable                    | 6,494               | 7,213               |
| <b>Total Noncurrent Liabilities</b>                              | <b>667,494</b>      | <b>671,246</b>      |
| <b>Total Liabilities</b>   | <b>\$ 725,921</b>   | <b>\$ 719,841</b>   |
| <b>Net Assets</b>  |                     |                     |
| Invested in Capital Assets, Net of Related Debt                  | 200,710             | 212,311             |
| <b>Restricted for:</b>   |                     |                     |
| Debt Service and Capital Interest                                | 26,888              | 38,135              |
| Capital Renewal  | 17,672              | 17,445              |
| Operating Fund   | 31,580              | 31,098              |
| Senior Proceeds Account  | 2                   | 2                   |
| Debt Service Reserve   | 37,207              | 36,919              |
| Kenilworth Park  | 144                 | 145                 |
| Hotel Project  | 46,961              | 25,004              |
| <b>Unrestricted Net Assets</b>                                   | <b>(23,725)</b>     | <b>(8,419)</b>      |
| <b>Total Net Assets</b>  | <b>\$ 337,439</b>   | <b>\$ 352,640</b>   |

Statement of Revenues, Expenses and Changes in Net Assets (in thousands)

|  | 2012               | 2011               |
|--|--------------------|--------------------|
| <b>Operating Revenue and Expenses</b>              |                    |                    |
| Operating Revenues:                                |                    |                    |
| Building Rental                                    | \$ 8,536           | \$ 9,151           |
| Food Services                                      | 4,588              | 5,764              |
| Electrical   | 2,823              | 3,041              |
| Parking  | 899                | 2,053              |
| Telecommunications                                 | 1,255              | 1,236              |
| Retail & Office Space Rental                       | 888                | 1,111              |
| Advertising & Sponsorship                          | 1,086              | 1,094              |
| Miscellaneous                                      | 2,478              | 2,037              |
| <b>Total Operating Revenues</b>                    | <b>\$ 22,553</b>   | <b>\$ 25,487</b>   |
| <b>Operating Expenses</b>                          |                    |                    |
| Personal Services                                  | \$ 18,291          | \$ 18,422          |
| Contractual Services                               | 18,064             | 18,201             |
| Depreciation                                       | 31,442             | 33,215             |
| Occupancy  | 7,056              | 7,003              |
| Payment to District                                | 2,380              | 2,775              |
| Miscellaneous                                      | 964                | 1,013              |
| Bad Debt   | 1,213              | 335                |
| <b>Total Operating Expenses</b>                    | <b>79,410</b>      | <b>80,964</b>      |
| <b>Operating Loss</b>                              | <b>\$ (56,857)</b> | <b>\$ (55,477)</b> |
| <b>Non-operating Revenues and (Expenses)</b>       |                    |                    |
| Interest Income                                    | \$ 2,006           | \$ 2,094           |
| Dedicated Taxes                                    | 101,026            | 97,996             |
| Miscellaneous Revenue                              | 4,284              | 1,230              |
| Interest Expense                                   | (35,943)           | (35,526)           |
| Amortization of Bond Issuance Costs                | (377)              | (334)              |
| Marketing Agencies & Internal Marketing Expenses   | (10,610)           | (10,073)           |
| Funding Hotel Project                              | (18,730)           | (20,600)           |
| Prior Year Cost Recovery                           | -                  | 1                  |
| <b>Total Non-operating Revenues and (Expenses)</b> | <b>41,656</b>      | <b>34,788</b>      |
| <b>Net Assets - Deficit</b>                        | <b>(15,201)</b>    | <b>(20,689)</b>    |
| <b>Net Assets, Beginning of Year</b>               | <b>352,640</b>     | <b>373,329</b>     |
| <b>Net Assets, End of Year</b>                     | <b>\$ 337,439</b>  | <b>\$ 352,640</b>  |

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows (in thousands)

|   | 2012                 | 2011                 |
|---|----------------------|----------------------|
| <b>Cash flows from operating activities:</b>  |                      |                      |
| Receipts from customers   | \$ 23,294            | \$ 23,246            |
| Payments to suppliers   | (24,514)             | (24,887)             |
| Payments to employees   | (18,086)             | (18,538)             |
| Other payments  | (2,380)              | (2,774)              |
| <b>Net cash used in operating activities</b>  | <b>(21,686)</b>      | <b>(22,953)</b>      |
| <b>Cash flows from capital and related financing activities:</b>                        |                      |                      |
| Acquisition and construction of capital assets  | (5,486)              | (4,725)              |
| Other financing arrangement payment   | (719)                | (719)                |
| Bond proceeds   | -                    | 215,829              |
| Bonds payable payment   | (13,265)             | (12,700)             |
| Interest payments   | (35,064)             | (28,476)             |
| <b>Net cash used in capital and related financing activities</b>                        | <b>(54,534)</b>      | <b>169,209</b>       |
| <b>Cash flows from noncapital financing activities:</b>                                 |                      |                      |
| Dedicated tax receipts  | 101,820              | 98,078               |
| Payments to tourism responsibility centers  | (10,610)             | (10,074)             |
| Other receipts (payments)   | (14,202)             | (22,877)             |
| <b>Net cash provided by noncapital financing activities</b>                             | <b>77,008</b>        | <b>65,127</b>        |
| <b>Cash flows from investing activities:</b>  |                      |                      |
| Proceeds from sale and maturities of investment securities                              | 111,082              | 244,252              |
| Purchases of investment securities  | (115,597)            | (462,029)            |
| Interest and dividends on investments   | 3,922                | 2,338                |
| <b>Net cash used in investing activities</b>  | <b>(593)</b>         | <b>(215,439)</b>     |
| <b>Net (decrease) increase in cash and cash equivalents</b>                             | <b>195</b>           | <b>(4,056)</b>       |
| Cash and cash equivalents, beginning of year  | 12,547               | 16,603               |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 12,742</b>     | <b>\$ 12,547</b>     |
| <b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>        |                      |                      |
| Operating Loss  | \$ (56,854)          | \$ (55,477)          |
| <b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</b> |                      |                      |
| Depreciation  | 31,441               | 33,216               |
| Provision for Doubtful Accounts   | 1,213                | 335                  |
| Increase in receivables   | 98                   | (1,995)              |
| Increase (Decrease) in prepaid expenses and other assets                                | 27                   | (25)                 |
| Increase (Decrease) in accounts payable   | 1,543                | 1,357                |
| Decrease in compensation liabilities  | 205                  | (117)                |
| (Decrease) Increase in deferred revenue   | 641                  | (247)                |
| <b>Net Cash Used in Operating Activities</b>  | <b>\$ (21,686)</b>   | <b>\$ (22,953)</b>   |
| <i>Interest expense paid</i>  | <b>\$ 36,105,595</b> | <b>\$ 28,810,020</b> |

The accompanying notes are an integral part of these financial statements.

**Note 1. Summary of Significant Accounting Policies**

The accounting policies of the Authority conform to U.S. generally accepted accounting principles (GAAP) as applicable to government enterprises. The following is a summary of the Authority’s significant accounting policies:

**Reporting Entity**

The Washington Convention Center Authority (WCCA), a corporate body and independent authority of the District of Columbia (District) government was created pursuant to the “Washington Convention Center Authority Act of 1994,” D.C. Law 10-188 (the WCCA Act), effective September 28, 1994.

The Authority was established for the purpose of acquiring, constructing, equipping, maintaining, and operating a new convention center in the District of Columbia. The Authority engages in activities deemed appropriate to promote trade shows, conventions, and other events closely related to activities of the new convention center.

The Washington Convention and Sports Authority (the Authority) was formed on October 1, 2009 following the transfer of D.C. Sports and Entertainment Commission’s mission, responsibilities and assets to WCCA in accordance with the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009, D.C. Law 18-111.

Following the transfer, the Authority’s Board of Directors (the Board) grew from nine to eleven members. Two members serve as ex-officio voting members of the Board. One of the ex-officio members must be the chief financial officer of the District of Columbia and the mayor designates the other. The remaining nine public members are appointed by the mayor with the consent of the Council of the District of Columbia (the Council). The terms of the public members are four years. The mayor appoints one public member as chairperson with the advice and consent of the Council.

The Authority receives its funding by generating operating revenue from meetings, sports events, parking, advertising, sponsorships, and ancillary operations. In addition, it receives dedicated taxes from the hospitality industry, as well as, interest and dividend income from investments. The dedicated taxes were established pursuant to the WCCA Act. Effective October 1, 1998, the dedicated taxes consist of a separate sales and use tax of 4.45% (of the District’s 14.5%) on hotel room charges and sales and use tax of 1.0% (of the District’s 10.0%) on restaurant meals, alcoholic beverages con-

sumed on premises, and rental vehicle charges. The dedicated taxes are collected on behalf of the Authority in accordance with the September 1998 Lockbox and Collection Agreements executed by the Authority, the District and a financial institution.

The Authority is a component unit of the District of Columbia Government.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The Authority’s basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The economic measurement focus reports all assets and liabilities associated with the operations and are included on the Statement of Net Assets.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Authority applies all applicable GASB pronouncements. The Authority has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

For the purposes of financial reporting, the Authority is considered to be a single enterprise fund. However, for accounting purposes, and to ensure observation of limitations and restrictions placed on the use of the resources available to the Authority, accounts are maintained in accordance with the principles of fund accounting.

The Authority accounts for its activities in ten separate funds: the Operating (WEWCC) Fund, the Building Fund, the Marketing Fund, Capital (WEWCC) Fund, the Demolition Fund, Operating (S&E) Fund, New Stadium Fund, S&E Capital Fund, Operating (Visitor Center) Fund and Capital (Visitor Center) Fund. The following activities are reported in each fund.

- a. Operating Fund – The operating fund accounts for the transactions related to the operation of the convention center.
- b. Building Fund – The building fund accounts for the transactions related to the new hotel and expansion projects.

c. Marketing Fund – The marketing fund accounts for the transactions related to marketing and promoting conventions and tourism in the District.

d. Capital Fund – The capital fund accounts for the transactions related to improvements of the convention center.

e. Demolition Fund – The demolition fund accounts for the transactions related to the demolition of the old convention center, construction of a parking lot, and management of parking operations.

f. Operating (S&E) Fund – The operating S&E fund accounts for transactions related to the operation of the Robert F. Kennedy Memorial Stadium, the Festival Grounds and D.C. Armory.

g. New Stadium Fund – The new stadium fund accounts for transactions related to the new Nationals Park Stadium.

h. Capital (S&E) Fund – The S&E capital fund accounts for the transactions related to the improvement of the Robert F. Kennedy Memorial Stadium and D.C. Armory.

i. Operating (Visitor Center) Fund – The operating visitor center fund accounts for transactions related to the operation of the Visitor Center (Carnegie Library).

j. Capital (Visitor Center) Fund – The visitor center capital fund accounts for the transactions related to improvements of the Visitor Center (Carnegie Library).

**Current and Noncurrent**

Current assets are used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business usually one year or less, without interfering with normal business operations. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

**Cash and Cash Equivalents**

The Authority considers all highly liquid instruments purchased with an original maturity of less than ninety (90) days to be cash equivalents.

**Accounts Receivable**

Receivables relate to transactions involving building rental, electrical, telecommunications, audiovisual, advertising, sponsorships, parking, and miscellaneous revenue.

**Allowance for Uncollectible Accounts**

The Authority establishes an allowance for uncollectible accounts for all accounts receivable over 180 days old. At September 30, 2012 and 2011, accounts receivable were shown net of allowance for doubtful accounts of \$2.3 million and \$1.2 million respectively.

**Investments**

Investments in money markets and repurchase agreements are recorded at market value which approximates fair value. Treasury obligations and commercial paper are recorded at amortized cost which approximates fair value.

**Capital Assets and Depreciation**

Capital assets are carried at cost at the date of acquisition less accumulated depreciation. The Authority capitalizes assets with an original cost of \$5,000 or greater. Donated capital assets are recorded at fair market value at the date donated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

| Category                               | Years |
|--|-------|
| Financial Systems                      | 5     |
| Machinery and Equipment                | 5     |
| Furniture and Fixtures                 | 10    |
| Central Plant                          | 20    |
| Building and Building Improvements     | 30    |
| Structure and Parking Lot Improvements | 5-35  |
| RFK Stadium                            | 50    |

**Amortization of Bond Premium, Bond Deferral and Issuance Costs**

The bond premium is recorded as an increment of the carrying cost of the bonds. Bond premium and issuance costs are amortized based upon the weighted average of bonds outstanding over the term of the bonds. Bond deferral is the result of defeasance of Series 1998A bonds which was the difference between the reacquisition price and the net carrying amount of the old debt and the defeasance of the \$25 million of the 2007A bonds obtained for a portion of the land acquisition related to the headquarters hotel for the convention center. It is deferred and amortized over the remaining life of the old or new debt, whichever is shorter. It is being amortized over twenty-two (22) years, the remaining life of the old bonds.

**Deferred Revenue**

Deferred revenue represents revenue and deposits received in advance from show managers and promoters for events booked at the Walter E. Washington Convention Center and the Sports & Entertainment Division.

**Operating Component**

The financial statement operating component includes all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities.

**Revenue Recognition**

Revenues are recorded when earned. Dedicated taxes are recorded in the period in which the exchange transaction on which the tax is imposed occurs.

**Compensated Absences**

The Authority accrues a liability for annual leave based on salary rates and accumulated leave hours at September 30th. Employees earn annual leave during the year at varying rates, depending on the employee's classification and years of service. Generally, non-union employees may carryover a maximum of 240 hours of annual leave and union employees may carryover a maximum of 320 hours beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 and 320 hours is permitted with the approval of appropriate Authority officials. The accrued maximum annual leave balance is payable to employee's upon termination of employment.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

**Revenue and Expenses**

The Authority distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. The principal operating revenues of the Authority consist of building rental, electrical, telecommunications, food services, audio-visual, retail/office space rental, event services, advertisements and sponsorship and miscellaneous revenues. Operating expenses include personnel services, contractual services, depreciation, occupancy, supplies, transfer to District and miscellaneous expenses. All revenue and

expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Note 2. Cash Deposits and Investments**

The Authority complies with GASB Statement No. 40, Deposit and Investment Risk Disclosures. Cash, cash equivalents and investments are separately held within several of the Authority's funds.

**Cash Deposits**

The carrying amount of the Authority's cash as of September 30, 2012 and 2011 was \$12.7 million and \$12.5 million, respectively. The Authority's bank balance at September 30, 2012 and 2011 was \$13 million and \$12.9 million, respectively. These bank balances are entirely insured or collateralized with securities held by third parties in the Authority's name.

**Investments**

In accordance with the Authority's investment policy adopted in 1999 and amended in 2009, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S. Government, its agencies, and instrumentalities, domestic interest bearing savings accounts, certificates of deposit, time deposits or any other investments that are direct obligations of any bank, short-term obligations of U.S. Corporations, shares or other securities legally issued by state or federal savings and loan associations that are insured by the FDIC, money market mutual funds registered under amended Investment Act of 1940, repurchase agreements with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York, and investment agreement which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution.

As of September 30, 2012 and 2011, the Authority's investments were in money market, U.S. treasury securities, other U.S. guaranteed securities and federal agency securities along with collateralized repurchase agreement. Agency securities and money market investments were rated AAA and/or collateralized by the fund provider. In FY2011, the Authority invested in certificates of deposit which were collateralized at 102% by the bank pledging securities with a safekeeping agent to cover the uninsured deposit. These certificates of deposit matured in November 2011.

As of September 30, 2012 and 2011, the Authority had the following investments (in thousands):

| 2012 Investment Type                      | Fair Value        | Maturity Date | S&P | Moody's |
|---|-------------------|---------------|-----|---------|
| U.S. Treasury Securities                  | \$ 7,464          | 1-5 years     | AAA | Aaa     |
| Other U.S. Guaranteed Securities          | 8,354             | 1-5 years     | AAA | Aaa     |
| Federal Agency Securities                 | 92,095            | 1-5 years     | AA+ | Aaa     |
| Collateralized Repurchase Agreements      | 142,578           | 1-5 years     | NA  | NA      |
| Money Market Funds - Held by Bond Trustee | 135,610           | NA            | AAA | Aaa     |
| <b>Totals</b>                             | <b>\$ 386,101</b> |               |     |         |

| 2011 Investment Type                      | Fair Value        | Maturity Date    | S&P | Moody's |
|---|-------------------|------------------|-----|---------|
| U.S. Treasury Securities                  | \$ 12,127         | 1-5 years        | AAA | Aaa     |
| Other U.S. Guaranteed Securities          | 12,136            | 1-5 years        | AAA | Aaa     |
| Federal Agency Securities                 | 38,310            | 1-5 years        | AA+ | Aaa     |
| Collateralized Repurchase Agreements      | 158,427           | 1-5 years        | NA  | NA      |
| Money Market Funds - Held by Bond Trustee | 114,558           | NA               | AAA | Aaa     |
| Certificate of Deposit                    | 47,000            | Less than 1 year | NA  | NA      |
| <b>Totals</b>                             | <b>\$ 382,558</b> |                  |     |         |

The Authority's investments are subject to certain risks. Those risks are as follows:

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments. As of September 30, 2012, 37% of the Authority's investments were held by a counterparty that is insured and collateralized.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The risk may vary based on the type of investment. As of September 30, 2012, the Authority invested in AAA rated money market funds, U.S. treasury securities, other U.S. guaranteed securities and federal agency securities along with collateralized repurchase agreement. In accordance with the Authority's investment policy, the investments maturity varies from 1-5 years.

**Credit Risk:** Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to investments that are highly rated by Moody's or Standard and Poor's. As of September 30, 2012, the Authority's investments were all in AAA rated short-term money market funds, and U.S. Treasury Notes.

**Concentration of Credit Risk:** To limit exposure to concentrations of credit risk, the Authority's

investment policy limits investment in the U.S. Treasury to 100%, Federal Agencies to 40%, money market mutual funds to 25%, and repurchase agreements 25% to any one issuer.

The fair value of investments that individually represent 5% or more of total Authority's investments at September 30, 2012 are as follows:

| Issuer                       | Fair Value    |
|------------------------------|---------------|
| Federal Home LN BKS          | \$ 46,755,768 |
| Federal Home LN MTG Corp DEB | 45,338,675    |

**Required Reserves:** Under the Bond Trust agreements, the Authority is required to maintain certain reserve requirements for debt service, operating and marketing, capital renewal and replacement, marketing, and hotel projects. The Authority maintained the above investment in various reserve accounts to meet the requirements. At September 30, 2012 and 2011, those restricted investments totalled approximately \$327.0 million and \$337.5 million respectively.

In connection with the Series 2007A Bonds, the Debt Service Reserve Account requirement is satisfied by the deposit of a surety bond (the Reserve Account Credit Facility) provided by AMBAC Assurance Corporation ("AMBAC Assurance" the "Reserve Account Credit Facility Provider"). If there are insufficient funds in the debt service account, the series 2007A Bonds are insured against non-payment by a Municipal Bond Insurance Policy issued by AMBAC Assurance. However, due to the lowering of AMBAC's credit rating, the Authority is obligated to provide a disclosure with respect to the downgrade of AMBAC Assurance who provided the surety policy for the 2007 Convention Center Revenue and Refunding Bonds and the Authority is required to either provide a substitute surety or post cash or other collateral in the debt service reserve account. The Indenture requires that the Authority fill the debt service reserve fund in ten (10) equal installments on each April 1 and October 1 over the next five years or fully fund it. The Authority opted to fully fund the required amount of \$33.7 million.

The proceeds of the Series 2010 Bonds are used to (i) make funds available to the Developer to pay a portion of the costs of acquiring, developing, constructing and equipping the Convention Center Hotel project to be constructed on the Hotel Site adjacent to the Walter E. Washington Convention Center; (ii) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (iii) fund the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (iv) defease to the earliest optional redemption date that portion of the Authority's outstanding senior lien dedicated tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of \$25.4 million; (v) make \$2 million available to the Authority for establishment of the D.C. Citizen's Job Program created pursuant to the Hotel Act; and (vi) pay the Cost of Issuance of the Series 2010 Bonds as well as to pay the Developer for construction and equipment cost on the Convention Center Head-

|   | Investment<br>Balance as of<br>September<br>30, 2012 | Minimum<br>Required<br>Reserve<br>(Restricted) | Available<br>Reserve Above<br>the Required<br>Minimum |
|---|--|--|---|
| <b>Reserve Account</b>                  |  |  |   |
| <b>Series 2007A</b>                     |  |  |   |
| Capital Renewal & Replacement Account   | \$ 47,696  | \$ 17,672                                      | \$ 30,024   |
| Debt Service                            | 26,888   | 26,888   | -   |
| Debt Service Reserve Account            | 37,207   | 37,207   | -   |
| Senior Proceeds Account                 | 2  | 2  | -   |
| Marketing Account                       | 1,354  | 1,354  | -   |
| Operating and Marketing Reserve Account | 45,085   | 30,226   | 14,859  |
| Revenue Account                         | 14,173   | -  | 14,173  |
| WCSA Hotel Contribution                 | 46,961   | 46,961   | -   |
|   | <b>219,366</b>                                       | <b>160,310</b>                                 | <b>59,056</b>   |
| <b>Series 2010</b>                      |  |  |   |
| Bond Issuance cost                      | 252  | 252  | -   |
| Capitalized Interest                    | 19,646   | 19,646   | -   |
| Debt Service Reserve Account            | 24,253   | 24,253   | -   |
| Hotel Project                           | 122,584  | 122,584  | -   |
|   | <b>\$ 166,735</b>                                    | <b>\$ 166,735</b>                              | <b>\$ -</b>   |
| <b>Total Restricted Investments</b>     | <b>\$ 386,101</b>                                    | <b>\$ 327,045</b>                              | <b>\$ 59,056</b>                                      |

quarters' Hotel Project, fund capitalized interest on the portion of the bonds during the construction phase and fund the Debt Service Reserve Account requirement. Therefore, the balance in the amount of \$167 million is restricted.

The following tables below summarize the minimum reserve requirements and restricted amounts as of September 30, 2012 and 2011.

**Note 3. Capital Assets**

Capital asset balances at September 30, 2012 are summarized as follows (in thousands):

**Construction in Progress**

The construction in progress represents predevelopment costs related to construction of the new HQ Hotel project and major improvements at RFK Stadium and the D.C. Armory.

|   | Investment<br>Balance as of<br>September<br>30, 2011 | Minimum<br>Required<br>Reserve<br>(Restricted) | Available<br>Reserve Above<br>the Required<br>Minimum |
|---|--|--|---|
| <b>Reserve Account</b>                  |  |  |   |
| <b>Series 2007A</b>                     |  |  |   |
| Capital Renewal & Replacement Account   | \$ 32,470  | \$ 17,445                                      | \$ 15,025   |
| Debt Service & Capitalized Interest     | 38,135   | 38,135   | -   |
| Debt Service Reserve Account            | 36,919   | 36,919   | -   |
| Senior Proceeds Account                 | 2  | 2  | -   |
| Marketing Account                       | 1,501  | 1,501  | -   |
| Operating and Marketing Reserve Account | 36,563   | 28,597   | 7,966   |
| Revenue Account                         | 22,091   | -  | 22,091  |
| WCSA Hotel Contribution                 | 25,004   | 25,004   | -   |
|   | <b>192,685</b>                                       | <b>147,603</b>                                 | <b>45,082</b>   |
| <b>Series 2010</b>                      |  |  |   |
| Bond Issuance cost                      | 268  | 268  | -   |
| Capitalized Interest                    | 20,910   | 20,910   | -   |
| Debt Service Reserve Account            | 28,177   | 28,177   | -   |
| Hotel Project                           | 140,518  | 140,518  | -   |
|   | <b>\$ 189,873</b>                                    | <b>\$ 189,873</b>                              | <b>\$ -</b>   |
| <b>Total</b>                            | <b>\$ 382,558</b>                                    | <b>\$ 337,476</b>                              | <b>\$ 45,082</b>                                      |

## Notes to Financial Statement

**Table / Capital Assets 2012**

(in thousands)

|   | Beginning Balance | Additions          | Disposals   | Transfers/ Adjustments | Ending Balance    |
|---|-------------------|--------------------|-------------|------------------------|-------------------|
| <b>Non-depreciable</b>                      |                   |                    |             |                        |                   |
| Land  | \$ 4,785          | \$ -               | \$ -        | \$ -                   | \$ 4,785          |
| Construction in Progress                    | 4,422             | 722                | -           | 2,172                  | 7,316             |
| Plumber's Building                          | 33,425            | -                  | -           | (1,270)                | 32,155            |
| Artwork                                     | 2,742             | -                  | -           | -                      | 2,742             |
| <b>Total Non-depreciable Capital Assets</b> | <b>\$ 45,374</b>  | <b>\$ 722</b>      | <b>\$ -</b> | <b>\$ 902</b>          | <b>\$ 46,998</b>  |
| <b>Depreciable</b>                          |                   |                    |             |                        |                   |
| Building (WEWCC)                            | \$ 769,453        | \$ -               | \$ -        | \$ -                   | \$ 769,453        |
| Building Improvements (WEWCC)               | 22,955            | 1,590              | -           | (6)                    | 24,539            |
| Stadium Structure                           | 19,037            | -                  | -           | -                      | 19,037            |
| Building Improvements/Displays (SESED)      | 34,051            | 1,026              | -           | (896)                  | 34,181            |
| Parking Lot Improvements (SESED)            | 5,965             | -                  | -           | -                      | 5,965             |
| Central Plant                               | 16,265            | -                  | -           | -                      | 16,265            |
| Carnegie Library (Visitor Center)           | 8,985             | 12,956             | -           | -                      | 21,941            |
| Carnegie Library - Building Improvements    | -                 | 71                 | -           | -                      | 71                |
| Financial Systems                           | 1,446             | -                  | -           | -                      | 1,446             |
| Furniture and Fixtures                      | 18,596            | 1,182              | -           | 12                     | 19,790            |
| Furniture and Equipment (SESED)             | 451               | 51                 | -           | (12)                   | 490               |
| Machinery and Equipment                     | 8,788             | 742                | -           | -                      | 9,530             |
| <b>Total Accumulated Depreciation</b>       | <b>\$ 905,992</b> | <b>\$ 17,618</b>   | <b>\$ -</b> | <b>\$ (902)</b>        | <b>\$ 922,708</b> |
| <b>Less: Accumulated Depreciation</b>       |                   |                    |             |                        |                   |
| Building                                    | \$ 216,996        | \$ 25,597          | \$ -        | \$ -                   | \$ 242,593        |
| Building Improvements                       | 34,340            | 1,845              | -           | -                      | 36,185            |
| Stadium Structure                           | 18,942            | 95                 | -           | -                      | 19,037            |
| Parking Lot Improvements                    | 3,949             | 349                | -           | -                      | 4,298             |
| Central Plant                               | 6,891             | 814                | -           | -                      | 7,705             |
| Capital Lease Carnegie Library              | -                 | 609                | -           | -                      | 609               |
| Financial Systems                           | 1,422             | 13                 | -           | -                      | 1,435             |
| Furniture and Fixtures                      | 9,366             | 1,460              | -           | -                      | 10,826            |
| Machinery and Equipment                     | 7,406             | 660                | -           | -                      | 8,066             |
| <b>Total Accumulated Depreciation</b>       | <b>\$ 299,312</b> | <b>\$ 31,442</b>   | <b>\$ -</b> | <b>\$ -</b>            | <b>\$ 330,754</b> |
| <b>Total Restricted Investments</b>         | <b>\$ 606,680</b> | <b>\$ (13,824)</b> | <b>\$ -</b> | <b>\$ (902)</b>        | <b>\$ 591,954</b> |

**Table / Capital Assets 2011**

(in thousands)

|   | Beginning Balance | Additions          | Disposals   | Transfers/ Adjustments | Ending Balance    |
|---|-------------------|--------------------|-------------|------------------------|-------------------|
| <b>Non-depreciable</b>                      |                   |                    |             |                        |                   |
| Land  | \$ 4,785          | \$ -               | \$ -        | \$ -                   | \$ 4,785          |
| Construction in Progress                    | 4,052             | 370                | -           | -                      | 4,422             |
| Plumber's Building                          | 33,425            | -                  | -           | -                      | 33,425            |
| Artwork                                     | 2,742             | -                  | -           | -                      | 2,742             |
| <b>Total Non-depreciable Capital Assets</b> | <b>\$ 45,004</b>  | <b>\$ 370</b>      | <b>\$ -</b> | <b>\$ -</b>            | <b>\$ 45,374</b>  |
| <b>Depreciable</b>                          |                   |                    |             |                        |                   |
| Building (WEWCC)                            | \$ 769,453        | \$ -               | \$ -        | \$ -                   | \$ 769,453        |
| Building Improvements (WEWCC)               | 21,445            | 1,510              | -           | -                      | 22,955            |
| Stadium Structure                           | 19,037            | -                  | -           | -                      | 19,037            |
| Building Improvements/Displays (SESED)      | 33,755            | 296                | -           | -                      | 34,051            |
| Parking Lot Improvements (SESED)            | 5,965             | -                  | -           | -                      | 5,965             |
| Central Plant                               | 16,265            | -                  | -           | -                      | 16,265            |
| Carnegie Library (Visitor Center)           | -                 | 8,985              | -           | -                      | 8,985             |
| Financial Systems                           | 1,416             | 30                 | -           | -                      | 1,446             |
| Furniture and Fixtures                      | 16,508            | 2,088              | -           | -                      | 18,596            |
| Furniture and Equipment (SESED)             | 367               | 84                 | -           | -                      | 451               |
| Machinery and Equipment                     | 8,439             | 349                | -           | -                      | 8,788             |
| <b>Total Accumulated Depreciation</b>       | <b>\$ 892,650</b> | <b>\$ 13,342</b>   | <b>\$ -</b> | <b>\$ -</b>            | <b>\$ 905,992</b> |
| <b>Less: Accumulated Depreciation</b>       |                   |                    |             |                        |                   |
| Building                                    | \$ 194,933        | \$ 22,063          | \$ -        | \$ -                   | \$ 216,996        |
| Building Improvements                       | 29,520            | 4,820              | -           | -                      | 34,340            |
| Stadium Structure                           | 18,561            | 381                | -           | -                      | 18,942            |
| Parking Lot Improvements                    | 3,569             | 380                | -           | -                      | 3,949             |
| Central Plant                               | 4,461             | 2,430              | -           | -                      | 6,891             |
| Financial Systems                           | 1,413             | 9                  | -           | -                      | 1,422             |
| Furniture and Fixtures                      | 7,241             | 2,125              | -           | -                      | 9,366             |
| Machinery and Equipment                     | 6,397             | 1,009              | -           | -                      | 7,406             |
| <b>Total Accumulated Depreciation</b>       | <b>\$ 266,095</b> | <b>\$ 33,217</b>   | <b>\$ -</b> | <b>\$ -</b>            | <b>\$ 299,312</b> |
| <b>Total Restricted Investments</b>         | <b>\$ 626,555</b> | <b>\$ (19,875)</b> | <b>\$ -</b> | <b>\$ -</b>            | <b>\$ 606,680</b> |

**Note 4. Capital Lease**

In May 2011, the Authority entered into a Memorandum of Understanding (MOU) with the District Government in order to assume the District’s responsibility for the operation and maintenance of the historic Carnegie Library and grounds. Under the MOU, the Authority is required to pay \$9 million over three years based on an agreed upon schedule. Previously, the District had a 99-year lease in place with the Historical Society of Washington, D.C. (HSW); under the terms of the former existing lease HSW was allowed the use of the entire Library interior for certain revenue generating programs and activities that supported HSW’s mission. The MOU required the Authority to negotiate a new lease agreement with HSW, which was executed on November 9, 2011. Under the new lease agreement,

| Year Ended September 30              | Amount           |
|--------------------------------------|------------------|
| 2013                                 | \$ 2,125         |
| 2014                                 | 2,128            |
| 2015                                 | 129              |
| 2016                                 | 129              |
| 2017                                 | 132              |
| 2018-2022                            | 690              |
| 2023-2027                            | 683              |
| 2028-2032                            | 691              |
| 2033-2037                            | 703              |
| 2038-2042                            | 711              |
| 2043-2047                            | 725              |
| 2048-2052                            | 733              |
| 2053-2057                            | 746              |
| 2058-2062                            | 755              |
| 2063-2067                            | 768              |
| 2068-2072                            | 779              |
| 2073-2077                            | 792              |
| 2078-2082                            | 801              |
| 2083-2087                            | 815              |
| 2088-2092                            | 825              |
| 2093-2097                            | 840              |
| 2098-2099                            | 329              |
| Total minimum lease payments         | 17,029           |
| Less: interest costs                 | (189)            |
| <b>PV* of minimum lease payments</b> | <b>\$ 16,840</b> |

\* PV = Present value

the Authority makes an annual payment to HSW for the remaining 87-year term with the initial three years lease payments of \$125,000 and with an added escalation clause thereafter for the exclusive use of approximately 80% of the Library interior. The present value of the minimum lease payments totaled \$12.9 million. The Authority is currently generating revenue from the leasable space for events and tourism related activities.

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2012 (in thousands):

**Note 5. Financing Arrangements Payable**

The Authority entered into an arrangement with a vendor to finance the construction of the Central Plant for the Authority. The Central Plant, which is part of the convention center, provides hot and chilled water to the facility. The total construction cost of the Central Plant was approximately \$16 million. The vendor financed \$14 million and the Authority paid the remaining balance of \$1.8 million with bond proceeds. Under the financing arrangement, the Authority agreed to pay the vendor \$0.7 million annually for twenty years and will assume ownership of the plant at the end of the lease term. The Authority is exploring the options to purchase the Central Plant in accordance with the conditions set forth in the agreement. The following reflects the annual financing arrangement payable through maturity as of September 30, 2012 (in thousands):

| Year Ended September 30                    | Amount          |
|--|-----------------|
| 2013                                       | \$ 1,063        |
| 2014                                       | 1,027           |
| 2015                                       | 991             |
| 2016                                       | 955             |
| 2017                                       | 919             |
| 2018-2022                                  | 4,058           |
| <b>Total</b>                               | <b>\$ 9,013</b> |
| Less Interest                              | (1,800)         |
| <b>Total Financing Arrangement Payable</b> | <b>\$ 7,213</b> |
| Less Current Portion                       | 719             |
| <b>Long Term Portion</b>                   | <b>\$ 6,494</b> |

**Note 6. Bond Payable**

The Authority was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, the Authority issued \$524.5 million in senior lien dedicated tax revenue bonds (Series 1998A Bonds) to finance the construction of the new Washington Convention Center.

On February 1, 2007, WCCA issued \$492.5 million of refunding Series 2007A Bonds, with a net premium of \$15.6 million to effect a refunding for the Series 1998A Bonds. These refunding bonds were delivered on February 8, 2007, with maturities ranging from October 1, 2008 to October 2036, at interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to 1) advance refund all of the Series 1998A Bonds in the aggregate principal amount of \$480.6 million; 2) refinance a portion of the land acquisition cost of WCCA related to the headquarters hotel; 3) pay the premium for the Reserve Account Credit Facility that funds the Series 2007A Bonds, including the premium for the Financial Guaranty Insurance Policy. As a result, the previously outstanding refunded bonds were considered to be defeased and the liabilities for those bonds were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was \$10 million (NPV).

Between June, 2006 and July, 2009, the Council passed a series of legislative Acts (collectively, the “Hotel Acts”), 1 which authorized the financing, construction and development of a privately owned and operated headquarters hotel (the “HQ Hotel”) for the Convention Center, including a program to train D.C. residents for HQ Hotel jobs.

In October 2010, the Authority issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with face value of \$249.2 million. These Bonds were delivered on October 26, 2010, with maturities ranging from October 2015 to October 2040, at interest rates ranging from 3.1% to 7%. The proceeds are to be used to (i) make funds available to the Developer to pay a portion of the costs of acquiring, developing, constructing and equipping the Convention Center Hotel project to be constructed on the Hotel Site adjacent to the Walter E. Washington Convention Center; (ii) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (iii) fund the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (iv) defease to the earliest optional redemption date that portion of the Authority’s outstanding senior lien dedicated tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of \$25.4 million; (v) make \$2 million available to the Authority for establishment of the D.C.

Citizen’s Job Program created pursuant to the Hotel Act; and (vi) pay the Cost of Issuance for the Series 2010 Bonds. As the hotel will be privately owned, the disbursement of the hotel related bond proceeds will be recorded as an expense by the Authority.

A portion of the net proceeds from the issuance of Series 2010 Bonds was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2007A Bonds are called or matures. As a result, the aggregate principal amount of \$25.4 million from Series 2007A Bonds is considered to be defeased and therefore removed as a liability from the Authority’s financial statements.

In connection with the issuance of the Series 2010 Bonds, the District and the Authority entered into lockbox and collection agreements with a local bank into which the dedicated taxes are deposited and transferred to the bond trustee. Dedicated taxes are collected one month in arrears.

The WCCA Act provides that on or before July 15 of each year, the District’s Auditor shall deliver a certification relating to the sufficiency of the projected dedicated tax revenues, the Authority’s operating revenues, and any amounts in excess of the minimum reserve account deposits to meet the sum of the projected operating and debt service expenditures and reserve requirements. If the projected revenues are insufficient, the WCCA Act requires the mayor to impose a surtax in an amount sufficient to meet the projected deficiency. The District’s Auditor determined that the projected dedicated taxes for fiscal year 2012 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the Mayor.

As of September 30, 2012, the Authority’s bond liability totaled approximately \$666.5 million. A summary of annual maturities of the bonds payable for the years ending September 30, are listed on the top of page 52 (in thousands).

The Authority’s bonds are rated “A2” by Moody’s, “A” by Standard & Poor’s Corporation and “A+” by Fitch Rating Services.

| Fiscal year  | Principal         | Interest          | Total Debt Service  |
|--------------|-------------------|-------------------|---------------------|
| 2013         | \$ 13,865         | \$ 34,073         | \$ 47,938           |
| 2014         | 15,625            | 33,384            | 49,009              |
| 2015         | 18,200            | 32,652            | 50,852              |
| 2016         | 18,970            | 31,769            | 50,739              |
| 2017         | 19,835            | 30,838            | 50,673              |
| 2018-2022    | 117,410           | 137,696           | 255,106             |
| 2023-2027    | 156,220           | 104,081           | 260,301             |
| 2028-2032    | 176,340           | 59,899            | 236,239             |
| 2033-2037    | 76,885            | 31,685            | 108,570             |
| 2038-2040    | 53,175            | 6,335             | 59,510              |
| <b>Total</b> | <b>\$ 666,525</b> | <b>\$ 502,412</b> | <b>\$ 1,168,937</b> |

**Note 7. Long-term Liabilities**

The following table below summarizes long-term liabilities at September 30, 2012:

|                                       | Balance @ 9/30/2011 | Additions        | Reductions          | Balance @ 9/30/2012 | Amount Due Within One Year |
|---------------------------------------|---------------------|------------------|---------------------|---------------------|----------------------------|
| Series 2007A Bond Payable             | \$ 430,570          | \$ -             | \$ (13,265)         | \$ 417,305          | \$ 13,865                  |
| Series 2007A Unamortized Bond Premium | 13,194              | -                | (521)               | 12,673              | -                          |
| Series 2007A Bond Deferral            | (20,936)            | -                | 657                 | (20,279)            | -                          |
| Series 2010 Bond Payable              | 249,220             | -                | -                   | 249,220             | -                          |
| Series 2010 Unamortized Bond Premium  | 261                 | -                | (16)                | 245                 | -                          |
| Capital Lease obligation              | 8,985               | 12,855           | (5,000)             | 16,840              | 2,121                      |
| Compensated Absences                  | 1,004               | 934              | (956)               | 982                 | -                          |
| Financing Arrangement Payable         | 7,932               | -                | (719)               | 7,213               | 719                        |
| <b>Total Long-term Liabilities</b>    | <b>\$ 690,230</b>   | <b>\$ 13,789</b> | <b>\$ (-19,820)</b> | <b>\$ 684,199</b>   | <b>\$ 16,705</b>           |

**Note 8. Retirement Plan**

Effective April 1998, all Events DC full-time employees are covered by a defined contribution plan. The plan, which is managed by ICMA Retirement Corporation, requires no employee contributions. All employees are vested after four years of service. The contribution is 7% of total employee's salaries. The total employer's contribution for FY 2012 and 2011 were \$0.97 million and \$1.0 million respectively. The Plan's administrator issues financial statements and required supplemental information which is available upon. This report may be obtained from the following location: ICMA Retirement Corporation, 777 North Capitol Street, NE, Washington, D.C. 20002-4240.

**Note 9. Related Party Transactions**

**Dedicated Taxes:** In accordance with the WCCA Act and amended Master Trust Agreement, the District of Columbia Government collects and forwards to the Authority the dedicated tax receipts that are used to fund the debt service and reserve requirements of its Series 2007A Bonds. In FY 2012, the Authority recognized revenue from dedicated tax receipts of \$101 million. As of September 30, 2012 and 2011, the dedicated taxes due from the District government were \$7.6 million and \$8.4 million, respectively. These receivables represent September tax payments collected by the District in October.

**Revenue Share Agreement with the District:** In FY 2010, the Authority and the District executed the third amendment of their lease agreement to provide the District a portion of the revenues received by the Authority for parking operations and events held at the parking lot on the old convention center site located on 900 9th Street, N.W., Washington, D.C. In FY 2011, the total amount paid to the District under the agreement totaled \$235,484. There was no transfer to the District in FY 2012 as the revenue targets were not met due to the substantial reduction in the number of available parking spaces from 840 to 90 based on the increased development of the site.

**District's (DGS) Management Agreement:** On October 1, 2009, under the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009, D.C. Law 18-111, the Authority merged with the D.C. Sports and Entertainment Commission to form the Washington Convention and Sports Authority (WCSA). As part of the merger, the District of Columbia's Department of General Services (DGS) formerly known as Department of Real Estate Services (DRES) became responsible for the facility maintenance tasks on RFK stadium and the D.C. Armory previously performed by the D.C. Sports and Entertainment Commission. The Authority has agreed to pay DGS up to \$2.5 million each year for facility maintenance services.

**Relationship to the United States Government:** The United States government contracted with the D.C. Sports and Entertainment Commission's predecessor, the District of Columbia Armory Board, for the construction of RFK Stadium while the United States government constructed the surrounding motor vehicle parking areas. Both were constructed on land owned by the United States government (DC ST 3-322). In 1988, the United States government deeded, pursuant to Public Law 99-581, "all rights, title, and interest of the United States in and to the Stadium" to

the District. In addition, the United States Department of the Interior leased to the District the land occupied by the stadium and the parking areas without consideration for 50 years.

**Relationship to the District of Columbia Government:** Prior to the merger, the D.C. Sports and Entertainment Commission (DCSEC) entered into a lease agreement in March 2006 with the Government of the District of Columbia under which the District leased the Baseball Stadium Site and the Baseball Stadium complex to the DCSEC for a 99-year term, for the amount of one dollar (\$1) for the entire term. The DCSEC, subsequently, entered into a Lease Agreement dated March 6, 2006 with Baseball Expos, L.P. which is now the Washington Nationals Baseball Club (the "Team"). The agreement established provisions for the DCSEC, as lessor, to sublease the Baseball Stadium Site and the Baseball Stadium Complex to the Team. The lease term extends for 30 years with an initial lease payment of \$3.5 million and with an added escalation clause thereafter. The Team is required to pay additional rent in each lease year in which the number of certain tickets issued exceeds \$2.5 million.

The former DCSEC also entered into a Funding and Assignment Agreement dated May 1, 2006 with the District of Columbia whereby the DCSEC assigned to the District all rent and other revenue amounts that it receives or is entitled to receive under or related to the March 6, 2006 Lease Agreement with the Team. During FY 2012, the District received annual rent equal to \$5 million. The District uses the rent revenue to pay the outstanding debt related to the Baseball Stadium Bonds.

The Authority assumed all rights and obligations of the former DCSEC pursuant to the merger.

**Leasing Arrangements-Carnegie Library (Visitor Center):** The District of Columbia holds the former Central Public Library known as the Carnegie Library at Mount Vernon Square situated on Lot 800 in Square 403N, with a street address at 801 K Street, NW, under a grant of jurisdiction dated March 3, 1899 from the Fifty-Fifth session of the Congress of the United States of America, in Chapter 455, entitled "An act to provide a site for a building for the Washington Public Library".

On June 1, 1999, the District and the Historical Society of Washington, D.C. (HSW) entered into a lease agreement with respect to the Building as the leased premises for a term of ninety-nine (99) years commencing on June 1, 1999 and ending on May 31, 2098. The Original Lease was amended on April 17, 2002 and May 29, 2002.

In 2006, the United States of America transferred to the District administrative jurisdiction of U.S. Reservation 8, being the land underneath and adjacent to the Building.

On May 5, 2011, the District and the Authority entered into a Memorandum of Understanding (MOU) regarding the Carnegie Library and Reservation 8, whereby the District transferred to the Authority all of its rights and obligations with respect to the administrative jurisdiction over the Carnegie Library and with respect to the Original Lease, as amended, as well as setting forth certain obligations and rights with respect to Reservation 8, among other items for \$9 million payable in three annual installments beginning November 30, 2011. The MOU is effective from May 1, 2011 through April 30, 2110.

The Authority reported the lease as a capital asset and the related debt as long-term liability in the Authority's statement of net assets.

**Note 10. Marketing Service Contracts**

In accordance with the provisions of Section 208(c) of the Washington Convention Center Act of 1994 (as amended in 1998), the Authority is required to maintain a Marketing Fund for the payment of marketing service contracts to promote conventions, tourism, and leisure travel in the District. The Act states that the total payment amount of the marketing service contracts is to be based on 17.4% of the hotel sales tax received.

During FY 2012 and 2011, the total amount of dedicated taxes allocated to the Marketing Fund was \$11.7 million and \$11.4 million respectively. The Authority incurred the following marketing services expenses in FY 2012 and FY 2011 (in thousands) respectively:

| Marketing Agencies                                    | 2012             | 2011             |
|---|------------------|------------------|
| Washington D.C. Convention and Tourism Corporation    | \$ 10,235        | \$ 9,698         |
| D.C. Chamber of Commerce                              | 175              | 175              |
| Greater Washington IBERO American Chamber of Commerce | 200              | 200              |
| <b>Totals</b>   | <b>\$ 10,610</b> | <b>\$ 10,073</b> |

**Note 11. Baseball Stadium**

**Capital Reserve Fund:** Pursuant to the lease agreement, dated March 6, 2006, the District makes a contribution of \$1.5 million to the Capital Reserve Fund each year to be used for necessary Baseball Stadium improvements and repairs costs. The Capital Reserve Fund balance is managed by the Authority and has a balance of \$435,850 as of September 30, 2012, which is included in Other Short-term Liabilities in the financial statements.

**Close Out Project:** A memorandum agreement was signed between the District and former DCSEC on September 30, 2009 to close out all spending for construction and development of the Baseball Stadium. A transfer of \$1.9 million was made to the New Stadium Account, which is managed by the Authority. During FY 2012, there was no activity, and in FY 2011, the Authority expensed \$461,640. The remaining balance of \$665,693 is reflected as a liability Due to the District in the financial statements.

**Contingency Reserve Fund:** Pursuant to the lease agreement, dated March 6, 2006, the District was required to contribute \$5 million on or before the fifth anniversary of the Commencement Date to the Contingency Reserve Fund. The fund is to be used for necessary and appropriate expenditures to preserve, maintain or enhance the value of the Baseball Stadium complex. The Contingency Reserve Fund is managed by the Authority. As of September 30, 2012, the fund was not transferred and it is reflected as a receivable Due from the District in the financial statements.

**Note 12. Baseball Academy**

On March 7, 2012, the District entered into a ground lease agreement with the Washington Nationals Youth Baseball Academy, Inc. (the "Academy") for a portion of the Fort DuPont Park Site that the Academy will use to construct and operate a youth baseball academy. In accordance with the lease agreement, the District is to make payments for the Academy improvements and has requested the Authority to facilitate the timely transfer of these payments. The Authority is in receipt of the first payment in the amount of \$1 million and which reflected as a liability in the financial statements.

**Note 13. Kenilworth Park Project**

The former DCSEC received funds from the federal government, the Washington Nationals and the District of Columbia Department of Parks and Recreation to renovate a soccer field at Kenilworth Fort Greble fields which was completed in FY 2008. At the time of the merger, the Kenilworth fund had a balance of \$145,537. This project had no activities besides monthly interest/service charge payments in fiscal years 2012 and 2011. As of September 30, 2012 and 2011, there was an account balance of \$144,479 and \$144,830 respectively. These amounts are reflected as restricted net assets in the financial statements.

**Note 14. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability, errors and omissions, employee accident and surety bonds.

**Note 15. Commitments and Contingencies**

The Authority is exposed to various asserted claims arising from the normal course of business. As of September 30, 2012 and 2011, the Authority did not record an additional liability as the potential exposures for the current or pending contingencies to the Authority cannot be determined at this time.

**Note 16. Subsequent Events**

The Authority did not have any subsequent events that, based on the facts and circumstances, required recording or disclosure in the financial statements for the year ended September 30, 2012. Events and transactions were evaluated through January 28, 2013, the date the financial statements were available to be issued.

Schedule of Net Assets by Fund (in thousands)

|  | Operating<br>(WEWCC)<br>Fund | Operating<br>(SED)<br>Fund | Marketing<br>Fund | Capital<br>Fund | Building<br>Fund  | Demolition<br>Fund<br>(Parking Lot) | New<br>Stadium<br>Fund | SED<br>Fund<br>Capital | Visitor Center<br>Operating<br>Fund | Visitor Center<br>Capital Fund | TOTAL               |
|--|------------------------------|----------------------------|-------------------|-----------------|-------------------|-------------------------------------|------------------------|------------------------|-------------------------------------|--------------------------------|---------------------|
| <b>ASSETS</b>  |                              |                            |                   |                 |                   |                                     |                        |                        |                                     |                                |                     |
| <b>Current assets:</b>   |                              |                            |                   |                 |                   |                                     |                        |                        |                                     |                                |                     |
| Cash and cash equivalents  | \$ 3,252                     | \$ 3,702                   | \$ 572            | \$ 481          | \$ 485            | \$ 1,091                            | \$ -                   | \$ 331                 | \$ (271)                            | \$ 812                         | \$ 10,455           |
| Restricted cash  | -                            | 1,185                      | -                 | -               | -                 | -                                   | 1,102                  | -                      | -                                   | -                              | 2,287               |
| Due from District of Columbia                                    | 6,729                        | -                          | 882               | -               | -                 | -                                   | 5,000                  | -                      | -                                   | -                              | 12,611              |
| Accounts receivable, net of allowance for uncollectable accounts | 1,168                        | 1,321                      | -                 | 20              | -                 | 2                                   | -                      | -                      | 22                                  | -                              | 2,533               |
| Accrued interest receivable                                      | 267                          | -                          | -                 | -               | 411               | -                                   | -                      | -                      | -                                   | -                              | 678                 |
| Interfund receivable (payable)                                   | 49,180                       | (693)                      | (6,053)           | (30,069)        | (11,479)          | 13                                  | -                      | (848)                  | (51)                                | -                              | -                   |
| Investments  | 58,550                       | -                          | 506               | -               | -                 | -                                   | -                      | -                      | -                                   | -                              | 59,056              |
| <b>Total current assets</b>                                      | <b>119,146</b>               | <b>5,515</b>               | <b>(4,093)</b>    | <b>(29,568)</b> | <b>(10,583)</b>   | <b>1,106</b>                        | <b>6,102</b>           | <b>(517)</b>           | <b>(300)</b>                        | <b>812</b>                     | <b>87,620</b>       |
| <b>Noncurrent Assets</b>   |                              |                            |                   |                 |                   |                                     |                        |                        |                                     |                                |                     |
| Restricted investments   | 160,310                      | -                          | -                 | -               | 166,735           | -                                   | -                      | -                      | -                                   | -                              | 327,045             |
| Capital assets, net of accumulated depreciation                  | 546,854                      | 1,420                      | -                 | 29,337          | 38,570            | -                                   | -                      | 1,371                  | 21,332                              | 68                             | 638,952             |
| Unamortized bond issue costs                                     | 4,785                        | -                          | -                 | -               | 4,958             | -                                   | -                      | -                      | -                                   | -                              | 9,743               |
| <b>Total Noncurrent Assets</b>                                   | <b>711,949</b>               | <b>1,420</b>               | <b>-</b>          | <b>29,337</b>   | <b>210,263</b>    | <b>-</b>                            | <b>-</b>               | <b>1,371</b>           | <b>21,332</b>                       | <b>68</b>                      | <b>975,740</b>      |
| <b>Total Assets</b>  | <b>\$ 831,095</b>            | <b>\$ 6,935</b>            | <b>\$ (4,093)</b> | <b>\$ (231)</b> | <b>\$ 199,680</b> | <b>\$ 1,106</b>                     | <b>\$ 6,102</b>        | <b>\$ 854</b>          | <b>\$ 21,032</b>                    | <b>\$ 880</b>                  | <b>\$ 1,063,360</b> |
| <b>LIABILITIES AND NET ASSETS</b>                                |                              |                            |                   |                 |                   |                                     |                        |                        |                                     |                                |                     |
| <b>Current liabilities</b>                                       |                              |                            |                   |                 |                   |                                     |                        |                        |                                     |                                |                     |
| Accounts payable   | \$ 1,584                     | \$ 4,267                   | \$ 1,668          | \$ 157          | \$ 107            | \$ 7                                | \$ -                   | \$ 602                 | \$ 19                               | \$ 2                           | \$ 8,413            |
| Due to District Government                                       | -                            | -                          | -                 | -               | -                 | -                                   | 666                    | -                      | 5,000                               | -                              | 5,666               |
| Compensation liabilities   | 588                          | -                          | -                 | -               | -                 | -                                   | -                      | -                      | -                                   | -                              | 588                 |
| Deferred revenue   | 3,152                        | 7                          | -                 | -               | -                 | -                                   | -                      | -                      | 43                                  | -                              | 3,202               |
| Accrued interest payable   | 9,956                        | -                          | -                 | -               | 7,420             | -                                   | -                      | -                      | -                                   | -                              | 17,376              |
| Other Short-Term Liabilities                                     | -                            | 1,041                      | -                 | -               | -                 | -                                   | 5,436                  | -                      | -                                   | -                              | 6,477               |
| Capital Lease - Current Portion                                  | -                            | -                          | -                 | -               | -                 | -                                   | -                      | -                      | 2,121                               | -                              | 2,121               |
| Other financing arrangement payable                              | 719                          | -                          | -                 | -               | -                 | -                                   | -                      | -                      | -                                   | -                              | 719                 |
| Bonds payable, current portion                                   | 13,865                       | -                          | -                 | -               | -                 | -                                   | -                      | -                      | -                                   | -                              | 13,865              |
| <b>Total Current Liabilities</b>                                 | <b>29,864</b>                | <b>5,315</b>               | <b>1,668</b>      | <b>157</b>      | <b>7,527</b>      | <b>7</b>                            | <b>6,102</b>           | <b>602</b>             | <b>7,183</b>                        | <b>2</b>                       | <b>58,427</b>       |

See independent auditor's report.

Schedule of Net Assets by Fund (in thousands)

|   | Operating<br>(WEWCC)<br>Fund | Operating<br>(SED)<br>Fund | Marketing<br>Fund | Capital<br>Fund | Building<br>Fund   | Demolition<br>Fund<br>(Parking Lot) | New<br>Stadium<br>Fund | SED<br>Fund<br>Capital | Visitor Center<br>Operating<br>Fund | Visitor Center<br>Capital Fund | Total             |
|---|------------------------------|----------------------------|-------------------|-----------------|--------------------|-------------------------------------|------------------------|------------------------|-------------------------------------|--------------------------------|-------------------|
| <b>Noncurrent Liabilities</b>                   |                              |                            |                   |                 |                    |                                     |                        |                        |                                     |                                |                   |
| Compensated absences                            | 864                          | 115                        | -                 | -               | -                  | -                                   | -                      | -                      | 3                                   | -                              | 982               |
| Bonds payable including premium                 | 395,834                      | -                          | -                 | -               | 249,465            | -                                   | -                      | -                      | -                                   | -                              | 645,299           |
| Other Long-Term Liabilities                     | -                            | -                          | -                 | -               | -                  | -                                   | -                      | -                      | 14,719                              | -                              | 14,719            |
| Other financing arrangement payable             | 6,494                        | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 6,494             |
| <b>Total Noncurrent Liabilities</b>             | <b>403,192</b>               | <b>115</b>                 | <b>-</b>          | <b>-</b>        | <b>249,465</b>     | <b>-</b>                            | <b>-</b>               | <b>-</b>               | <b>14,722</b>                       | <b>-</b>                       | <b>667,494</b>    |
| <b>Total Liabilities</b>                        | <b>433,056</b>               | <b>5,430</b>               | <b>1,668</b>      | <b>157</b>      | <b>256,992</b>     | <b>7</b>                            | <b>6,102</b>           | <b>602</b>             | <b>21,905</b>                       | <b>2</b>                       | <b>725,921</b>    |
| <b>NET ASSETS</b>                               |                              |                            |                   |                 |                    |                                     |                        |                        |                                     |                                |                   |
| <b>Net Assets</b>                               |                              |                            |                   |                 |                    |                                     |                        |                        |                                     |                                |                   |
| Invested in capital assets, net of related debt | 129,944                      | 1,421                      | -                 | 29,337          | 38,570             | -                                   | -                      | 1,370                  | -                                   | 68                             | 200,710           |
| <b>Restricted for:</b>                          |                              |                            |                   |                 |                    |                                     |                        |                        |                                     |                                |                   |
| Debt service Reserve and capitalized interest   | 26,888                       | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 26,888            |
| Capital renewal                                 | 17,672                       | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 17,672            |
| Operating fund                                  | 31,580                       | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 31,580            |
| Senior Proceeds                                 | 2                            | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 2                 |
| Debt services reserve                           | 37,207                       | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 37,207            |
| Kenilworth Park                                 | -                            | 144                        | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 144               |
| Hotel Project                                   | 46,961                       | -                          | -                 | -               | -                  | -                                   | -                      | -                      | -                                   | -                              | 46,961            |
| Unrestricted Net Assets                         | 107,785                      | (60)                       | (5,761)           | (29,725)        | (95,882)           | 1,099                               | -                      | (1,118)                | (873)                               | 810                            | (23,725)          |
| <b>Total Net Assets</b>                         | <b>\$ 398,039</b>            | <b>\$ 1,505</b>            | <b>\$ (5,761)</b> | <b>\$ (388)</b> | <b>\$ (57,312)</b> | <b>\$ 1,099</b>                     | <b>\$ -</b>            | <b>\$ 252</b>          | <b>\$ (873)</b>                     | <b>\$ 878</b>                  | <b>\$ 337,439</b> |

See independent auditor's report.

Schedule of Revenues, Expenses and Changes In Net Assets by Fund (in thousands)

|   | Operating<br>(WEWCC)<br>Fund | Operating<br>(SED)<br>Fund | Marketing<br>Fund | Capital<br>Fund | Building<br>Fund   | Demolition<br>Fund<br>(Parking Lot) | New Stadium<br>Fund | SED<br>Fund<br>Capital | Visitor Center<br>Operating<br>Fund | Visitor<br>Center<br>Capital<br>Fund | TOTAL             |
|---|------------------------------|----------------------------|-------------------|-----------------|--------------------|-------------------------------------|---------------------|------------------------|-------------------------------------|--------------------------------------|-------------------|
| <b>Operating Revenues</b>                         |                              |                            |                   |                 |                    |                                     |                     |                        |                                     |                                      |                   |
| Building rental                                   | \$ 7,629                     | \$ 773                     | \$ -              | \$ -            | \$ -               | \$ -                                | \$ -                | \$ -                   | \$ 134                              | \$ -                                 | 8,536             |
| Food services                                     | 4,008                        | 572                        | -                 | -               | -                  | -                                   | -                   | -                      | 8                                   | -                                    | 4,588             |
| Electrical  | 2,823                        | -                          | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | 2,823             |
| Parking   | -                            | 351                        | -                 | -               | -                  | 548                                 | -                   | -                      | -                                   | -                                    | 899               |
| Telecommunications                                | 1,255                        | -                          | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | 1,255             |
| Retail/ office rental                             | 434                          | 454                        | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | 888               |
| Advertising & Sponsorship                         | -                            | 1,086                      | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | 1,086             |
| Miscellaneous                                     | 962                          | 1,506                      | -                 | -               | -                  | -                                   | -                   | -                      | 10                                  | -                                    | 2,478             |
| <b>Total Operating Revenues</b>                   | <b>17,111</b>                | <b>4,742</b>               | <b>-</b>          | <b>-</b>        | <b>-</b>           | <b>548</b>                          | <b>-</b>            | <b>-</b>               | <b>152</b>                          | <b>-</b>                             | <b>22,553</b>     |
| <b>Operating Expenses</b>                         |                              |                            |                   |                 |                    |                                     |                     |                        |                                     |                                      |                   |
| Personal services                                 | 16,668                       | 1,492                      | -                 | -               | -                  | -                                   | -                   | -                      | 131                                 | -                                    | 18,291            |
| Contractual services                              | 11,580                       | 1,700                      | 3,595             | 508             | -                  | 364                                 | -                   | 123                    | 77                                  | 117                                  | 18,064            |
| Depreciation                                      | 27,189                       | 1,495                      | -                 | 2,090           | -                  | -                                   | -                   | 56                     | 609                                 | 3                                    | 31,442            |
| Occupancy   | 5,597                        | 1,324                      | -                 | -               | -                  | -                                   | -                   | -                      | 135                                 | -                                    | 7,056             |
| Payment to District                               | -                            | 2,380                      | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | 2,380             |
| Miscellaneous                                     | 810                          | 77                         | -                 | 2               | -                  | -                                   | -                   | -                      | 73                                  | 2                                    | 964               |
| Bad debt  | 229                          | 984                        | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | 1,213             |
| <b>Total Operating Expenses</b>                   | <b>62,073</b>                | <b>9,452</b>               | <b>3,595</b>      | <b>2,600</b>    | <b>-</b>           | <b>364</b>                          | <b>-</b>            | <b>179</b>             | <b>1,025</b>                        | <b>122</b>                           | <b>79,410</b>     |
| <b>Operating Loss</b>                             | <b>(44,962)</b>              | <b>(4,710)</b>             | <b>(3,595)</b>    | <b>(2,600)</b>  | <b>-</b>           | <b>184</b>                          | <b>-</b>            | <b>(179)</b>           | <b>(873)</b>                        | <b>(122)</b>                         | <b>(56,857)</b>   |
| <b>Nonoperating Revenues and (Expenses)</b>       |                              |                            |                   |                 |                    |                                     |                     |                        |                                     |                                      |                   |
| Interest Income                                   | 963                          | 4                          | 1                 | -               | 1,037              | -                                   | -                   | 1                      | -                                   | -                                    | 2,006             |
| Dedicated taxes                                   | 84,314                       | -                          | 11,712            | 4,000           | -                  | -                                   | -                   | -                      | -                                   | 1,000                                | 101,026           |
| Miscellaneous revenue                             | -                            | -                          | -                 | -               | 4,284              | -                                   | -                   | -                      | -                                   | -                                    | 4,284             |
| Interest expense                                  | (21,102)                     | -                          | -                 | -               | (14,841)           | -                                   | -                   | -                      | -                                   | -                                    | (35,943)          |
| Amortization of Bond issuance costs               | (200)                        | -                          | -                 | -               | (177)              | -                                   | -                   | -                      | -                                   | -                                    | (377)             |
| Marketing Agencies & Internal Marketing Expense   | -                            | -                          | (10,610)          | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | (10,610)          |
| Funding to Hotel Project                          | -                            | -                          | -                 | -               | (18,730)           | -                                   | -                   | -                      | -                                   | -                                    | (18,730)          |
| Prior year cost recovery                          | -                            | -                          | -                 | -               | -                  | -                                   | -                   | -                      | -                                   | -                                    | -                 |
| <b>Total Nonoperating Revenues and (Expenses)</b> | <b>63,975</b>                | <b>4</b>                   | <b>1,103</b>      | <b>4,000</b>    | <b>(28,427)</b>    | <b>-</b>                            | <b>-</b>            | <b>1</b>               | <b>-</b>                            | <b>1,000</b>                         | <b>41,656</b>     |
| <b>Increase (Decrease) in Net Assets</b>          | <b>19,013</b>                | <b>(4,706)</b>             | <b>(2,492)</b>    | <b>1,400</b>    | <b>(28,427)</b>    | <b>184</b>                          | <b>-</b>            | <b>(178)</b>           | <b>(873)</b>                        | <b>878</b>                           | <b>(15,201)</b>   |
| <b>Net assets, Beginning of Year</b>              | <b>379,026</b>               | <b>6,211</b>               | <b>(3,269)</b>    | <b>(1,788)</b>  | <b>(28,885)</b>    | <b>915</b>                          | <b>-</b>            | <b>430</b>             | <b>-</b>                            | <b>-</b>                             | <b>352,640</b>    |
| <b>Net assets, End of Year</b>                    | <b>\$ 398,039</b>            | <b>\$ 1,505</b>            | <b>\$ (5,761)</b> | <b>\$ (388)</b> | <b>\$ (57,312)</b> | <b>\$ 1,099</b>                     | <b>\$ -</b>         | <b>\$ 252</b>          | <b>\$ (873)</b>                     | <b>\$ 878</b>                        | <b>\$ 337,439</b> |

Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

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January 28, 2013

**To the Mayor and the Council of the Government of the District of Columbia  
Board of Directors Washington Convention and Sports Authority  
Washington, DC**

We have audited the financial statements of the Washington Convention and Sports Authority (the Authority); a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2012 have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Compliance and Other Matters -- As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, Board of Directors, the Mayor, the Council of the District of Columbia, and the Office of the Inspector General, and is not intended to be and should not be used by anyone other than these specified parties.



BertSmith & Co.  
Washington, D.C.  
January 28, 2013

## Acknowledgements

### Events DC:

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